

MEETING  
STATE OF CALIFORNIA  
HORSE RACING BOARD

In the Matter of:                     )  
  )  
Regular Meeting                        )  
  )  
-----)

ARCADIA CITY HALL  
240 WEST HUNTINGTON DRIVE  
ARCADIA, CALIFORNIA

THURSDAY, FEBRUARY 16, 2006  
9:13 A.M.

Reported by:  
Troy A. Ray

COMMISSIONERS PRESENT

Richard B. Shapiro, Chairperson

Marie G. Moretti, Vice Chairperson

John Andreini

William A. Bianco

Sheryl L. Granzella

John C. Harris

Jerry Moss

STAFF

Ingrid Fermin, Executive Director

Roy Minami, Assistant Executive Director

John Reagan, Senior Parimutuel Examiner

ALSO PRESENT

Derry L. Knight  
Deputy Attorney General

Kevin Bolling, Executive Director  
California Thoroughbred Horsemen's Foundation,  
Inc.

Dr. Rick Arthur, Chairman of the Board  
California Thoroughbred Horsemen's Foundation,  
Inc.

Craig Fravel  
Del Mar Thoroughbred Club

Chuck Champion, CEO and Chairman  
Ubet.com

Arturo Alemany, President  
MIR International

Ron Charles  
Magna Entertainment Corporation

ALSO PRESENT

Drew J. Couto, President  
Thoroughbred Owners of California

Richard Castro  
Parimutuel Employees Guild, Local 280

Howard Zucker

Charlie Dougherty  
California Thoroughbred Trainers

Richard Mandella

Christopher Schick  
Sacramento Harness Association

F. Jack Liebau, President  
Hollywood Park/Bay Meadows

Senator Dean Florez

Robert Alvarez

Jerry Jamgotchian

Ed Halpern  
California Thoroughbred Trainers

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## P R O C E E D I N G S

9:13 a.m.

EXECUTIVE DIRECTOR FERMIN: Ladies and gentlemen, will the meeting come to order. This is a regular meeting of the California Horseracing Board on Thursday, February 16, 2006 at Arcadia City Hall, 240 West Huntington Drive, Arcadia, California.

Present at today's meeting are Chairman Richard Shapiro; Vice Chairman Marie moretti; Commissioner John Andreini; Commissioner William Bianco; Commissioner Sheryl Granzella; Commissioner John Harris; and Commissioner Jerry Moss.

We are now going to adjourn for a few moments and go into an executive session. Thank you.

(Whereupon, the Board adjourned to convene the executive session.)

EXECUTIVE DIRECTOR FERMIN: We'd like to reconvene the meeting and have the meeting come to order, please.

Before we go on, can we have everyone take their seats, please, and we'll get going. Once again, would you please come to order or step

1 outside, please.

2 CHAIRPERSON SHAPIRO: Will everyone  
3 please sit down and we'd like to bring the meeting  
4 to order.

5 (Pause.)

6 EXECUTIVE DIRECTOR FERMIN: Before we  
7 reconvene I'd just like to remind everybody that  
8 if you're going to participate, please identify  
9 yourself clearly for the court reporter so that  
10 we'll have a good clean record of the proceedings.

11 And now I'd like to turn the meeting  
12 over to Chairman Shapiro.

13 CHAIRPERSON SHAPIRO: Good morning to  
14 everybody. This is the regular board meeting of  
15 the California Horseracing Board for February.

16 The first order of -- first, I should  
17 tell you that we may need to skip around on the  
18 agenda a bit because one of the items on the  
19 agenda, which is item number 5, dealing with track  
20 surface safety and consistency of track surfaces,  
21 there are a number of horsemen, I believe, that  
22 want to be present. And because training hours  
23 haven't yet concluded, we are going to try to have  
24 that item heard around 11:00.

25 Therefore, the first item of business is

1 item number 1, which is approval of the minutes of  
2 the regular meeting of January 19th. Does anybody  
3 have any comments or corrections?

4 VICE CHAIRPERSON MORETTI: There are  
5 some corrections needed with Dr. Allred's name.  
6 In I think three or four places it's wrong.

7 CHAIRPERSON SHAPIRO: That's correct.  
8 It's Dr. Allred, not Aldrich. And also it's  
9 referred to --

10 VICE CHAIRPERSON MORETTI: Scott Daruty  
11 (phonetic), I think.

12 CHAIRPERSON SHAPIRO: Scott Daruty.

13 VICE CHAIRPERSON MORETTI: Yes, Scott --  
14 it's --

15 CHAIRPERSON SHAPIRO: And Tony Allavato.  
16 And if you need those names, we can give it to  
17 you. Does anybody else have anything else?

18 MR. KNIGHT: I do have one. I believe  
19 on the second page, the reference to rule 184.3, I  
20 think that should be -- I don't know what, I know  
21 it's not 184. It's 18-- I think 1840-something,  
22 but I'm just not sure. The heading at the very  
23 top of the page.

24 CHAIRPERSON SHAPIRO: Which page?

25 MR. KNIGHT: It's actually the second



1 page of minutes, top of the page. It's very  
2 minor, but I just happened to see it, so.  
3 Unfortunately, I don't know what the correct  
4 reference is, but I'm sure that's wrong.

5 CHAIRPERSON SHAPIRO: Okay. We'll  
6 correct it. Does anybody have any other changes?  
7 If not I'll entertain a motion to approve the  
8 minutes.

9 COMMISSIONER BIANCO: So moved.

10 COMMISSIONER GRANZELLA: Second.

11 CHAIRPERSON SHAPIRO: All in favor?

12 (Ayes.)

13 CHAIRPERSON SHAPIRO: Item number 2 has  
14 been pulled off the agenda. That item will be  
15 heard in March.

16 Item number 3 also has been rescheduled  
17 and will be heard in March.

18 The next item on the agenda is item  
19 number 4, which is a presentation by the Executive  
20 Director of the California Thoroughbred Horsemen's  
21 Foundation on backstretch employees health and  
22 welfare program and funding. Is anybody here?

23 MR. BOLLING: Yes.

24 CHAIRPERSON SHAPIRO: Thank you.

25 MR. BOLLING: I'm Kevin Bolling,

1 Executive Director of the California Thoroughbred  
2 Horsemen's Foundation.

3 I just wanted to provide you with a  
4 quick presentation on the California Thoroughbred  
5 Horsemen's Foundation. We supplied some material  
6 in the Board packet, -- go into much more detail  
7 in the documents given. And we're not going to go  
8 into all that today.

9 But the California Thoroughbred  
10 Horsemen's Foundation provides -- is a charitable  
11 foundation that provides assistance to the  
12 backstretch workers that are in care of the  
13 thoroughbreds in the racing industry.

14 With that comes -- CTHF provides  
15 assistance to the backstretch communities  
16 throughout the entire State of California. So,  
17 it's the major tracks, the state fairs and San  
18 Luis Rey Downs that deal with thoroughbreds.

19 So in that CTHF provides service for  
20 approximately 5000 licensed backstretch workers  
21 and their immediate families. So this is really  
22 the foundation and the core of the thoroughbred  
23 horseracing industry, and we do our best to keep  
24 it healthy and strong so that the industry is, as  
25 well.

1           We look through this, CTHF operates two  
2       medical and dental clinics. And we do serve as  
3       the primary and preventative medical provider for  
4       the backstretch workers and their families. In  
5       many cases without us there would be no routine  
6       medical treatment for the backstretch workers.

7           Each year we treat about 10,000 patients  
8       at the two clinics in Bay Meadows and Santa Anita.  
9       In addition to that we do provide service at the  
10      other locations as far as satellite services.

11          In addition to that, we had over 6000  
12      patients that are referred to outside providers  
13      each year.

14          In addition to medical and dental, we  
15      also provide financial assistance to the  
16      backstretch communities. One of the things that I  
17      want to focus today is really on the on-track  
18      unclaimed tickets and how that's affecting our  
19      budget.

20          Currently CTHF receives 50 percent of  
21      the monies from on-track buying tickets as part of  
22      its annual budget. And as CTHF's board of  
23      directors is beginning the process of  
24      investigating the possibility of seeking  
25      legislation to increase that percentage to the

1 organization.

2 So just a quick historical perspective  
3 of the income. In 1982 CTHF -- 98 percent of  
4 CTHF's budget was from the on-track unclaimed  
5 ticket monies, and that was about \$1.3 million.  
6 In 1994 that was \$2.2 million. And in -- sorry,  
7 2005, that was only \$1.5 million. That represents  
8 67 percent of CTHF's budget, and it's a 30 percent  
9 reduction since 1994.

10 And unfortunately, every year expenses  
11 for program services continue to increase. And  
12 we've had a decrease in that income.

13 One simple scale to look at as far as  
14 measuring that and looking at inflation is the  
15 consumer price index. For medical expenses this  
16 CPI tends to be a little bit conservative, but we  
17 use that as a basis to go off of. If we just  
18 looked at from 1994 with \$2.2 million, and we  
19 increase that just accounting for the CPI, CTHF  
20 would be \$3.5 million in 2005 just to equal what  
21 we had in 1994. But we have about \$1.5 million,  
22 that's 44 percent of \$3.5 million.

23 And we reverse that, well, \$1.5 million  
24 in 2005, what does that equal in 1994 when we had  
25 \$2.2 million; that's about \$950,000. So we

1 obviously have a problem. We're looking at fixing  
2 that problem.

3 So, obviously it's increasing revenue  
4 and decreasing expenses. So looking at increasing  
5 revenue, unfortunately most of the income that  
6 comes to CTHF is not controlled by the  
7 organization. Since 1994, as I've mentioned, 30  
8 percent reduction in the on-track unclaimed  
9 tickets.

10 For rate structure the -- have been  
11 decreasing, and -- donations have remained  
12 consistent the last couple of years, even with the  
13 increased competition. And we are extremely  
14 appreciative of the funds that we receive from the  
15 racetrack charities and from Stable and Vanning.  
16 As those funds have been decreasing over the years  
17 this has really allowed us to continue to provide  
18 services to the backstretch communities. These  
19 funds are extremely important to us, and make up a  
20 large percentage of our budget.

21 So, CTHF, unfortunately, is not a good  
22 candidate for grants. Granting organizations are  
23 looking for large open populations, and what are  
24 probably membership only. You have to have that  
25 CHRP license to receive service.

1           So, one area that has been increasing is  
2       copayments from the backstretch community. Those  
3       have been steadily increasing. Since 1994 revenue  
4       from copayment increase has increased about 1100  
5       percent. So it was about \$14,000 in 1994 and  
6       about \$170,000 in 2005. And this, the backstretch  
7       community, is probably the least likely of all the  
8       people in this room who can afford that increase.  
9       And we try to keep those costs as reasonable as  
10      possible for the backstretch workers.

11           The other thing we looked at is  
12      decreasing expenses. I think we've been extremely  
13      diligent and done a wonderful job in looking at  
14      how we can stretch every single dollar, and  
15      maximize the impact of the funds that we do have.

16           We've negotiated service provider  
17      contracts in northern and southern California for  
18      medical and dental procedures. And we often pay  
19      80 percent of Medicare, so Medicare pays more than  
20      we do.

21           So we've been active in assisting our  
22      clients in getting on MediCal, unemployment,  
23      disability and hospital insurance programs. I  
24      know that sometimes a critique of our organization  
25      is getting people on those programs. But the

1 reality is that MediCal is one of the largest  
2 benefit programs. If we can get people on these  
3 programs it will reduce the cost to them, and  
4 every dollar that we save on one patient is a  
5 dollar that we can spend on another patient. So  
6 we actively pursue that in getting people on  
7 different programs.

8 We've reduced the types of financial  
9 assistance, the situations that we'll provide. We  
10 have negotiated formularies for prescription  
11 medication to reduce those costs. We even reduced  
12 the medications that are covered on our  
13 formularies. We even looked at administrative  
14 costs in the 2005, seven positions were eliminated  
15 just from the southern clinic. And we've also  
16 reduced employee contributions to -- in pensions.

17 So, unfortunately -- well, fortunately  
18 for us, we've really been diligent in looking at  
19 what we can do to reduce those costs. The reality  
20 is that we're running out of ways to reduce our  
21 expenses.

22 And on top of that the reality is  
23 expenses continue to increase. Medical costs have  
24 been increasing 10 to 15 percent annually.  
25 Insurance, utilities and workers compensation

1 continue to increase. And since 1994 prescription  
2 costs alone for us have increased 960 percent.

3 So, in looking ahead attendance are  
4 generally down at the tracks. Again, we're  
5 extremely appreciative of the funds that we  
6 receive from the tracks. ADW is expected to  
7 increase slightly, and those funds have been a  
8 benefit to us in the last few years. And, again,  
9 keeping us being able to provide the services that  
10 we have.

11 We notice that we'll plateau at some  
12 points, and the reality is that we receive  
13 extremely small percentage of those funds. The  
14 funds that were received from ADW begin to match  
15 the funds that we're losing, the on-track tickets.

16 So, personal and -- donations have been  
17 decreasing. Again, those are very important to  
18 us, as well. So what we're looking is we really  
19 need your support. So CTHF is starting the  
20 process to change the legislation to increase the  
21 percentage of on-track unclaimed tickets to the  
22 organization to 90 percent, where we currently  
23 receive 40 percent.

24 We know that CHRB uses about 10 percent  
25 of those funds for racetrack security. We



1 obviously don't want to infringe on that at all.

2 But we are looking at the remainder of those  
3 funds.

4 We're very fortunate in having the  
5 support of the racing industry, and we'll continue  
6 to need that support. In addition, we'll be  
7 looking for the support of hopefully the future  
8 endorsement of this Board. We know that through  
9 the legislative process the legislative committee  
10 of this Board will be asked for their  
11 recommendation. And we do look for your support  
12 at that time.

13 So I just want to thank you. A quick  
14 presentation. We're more than happy for anyone on  
15 the Board or anyone in the industry if they'd like  
16 tour one of the facilities, or any questions that  
17 you have to ask, we'll be happy to answer those.

18 CHAIRPERSON SHAPIRO: Mr. Bolling, I  
19 want to thank you. Obviously the work of CTHF is  
20 critical to the industry and of great benefit to  
21 our backstretch workers. And you made a very good  
22 presentation; understand the plight with the  
23 rising health costs and increase in expenses.

24 I think that, speaking for myself, I  
25 clearly want to find every way and avenue to help

1 support and maintain the health care that's  
2 provided through your clinics. I do intend -- I  
3 did get your letter and I do want to come and tour  
4 the facilities with you.

5 MR. BOLLING: More than happy to --

6 CHAIRPERSON SHAPIRO: I am curious to  
7 know, how much money have you received in the last  
8 year from racing charities, and separately how  
9 much from ADW? Do you know how much money you  
10 received from those two entities?

11 MR. BOLLING: ADW last year was just  
12 over about \$200,000. I don't have the exact  
13 specifics on the track monies, as far as the  
14 charities.

15 CHAIRPERSON SHAPIRO: Do you go to each  
16 of the charitable boards of the tracks and make a  
17 presentation or anything to try and increase the  
18 revenues that you get from those charities?

19 MR. BOLLING: We haven't in the past,  
20 but that's actually something that we are -- we're  
21 planning on doing. The first one, actually  
22 there's two actually next month.

23 CHAIRPERSON SHAPIRO: Does anybody else  
24 have any comments?

25 COMMISSIONER HARRIS: On the uncashed

1 tickets, where does the other half go now? You  
2 said some goes to track security, but --

3 MR. BOLLING: The other 50 percent at  
4 the current moment all actually goes to the track  
5 security. And then a portion of that, at the end  
6 of the year, is taken by the state for the general  
7 fund. So 80 percent of the monies that go to  
8 racetrack security is about \$1.6 million. Then  
9 goes back to the general fund for the state. So  
10 CHRP keeps about 20 percent of those funds.

11 COMMISSIONER HARRIS: I thought that  
12 some went to the jockeys. There was some jockey  
13 funding there.

14 CHAIRPERSON SHAPIRO: That is uncashed  
15 refunds. And I think that is a different -- John,  
16 if you could help us here. The jockeys, for their  
17 health and welfare plan, receive their monies from  
18 the uncashed refunds, is that correct?

19 MR. REAGAN: Yes, jockeys get the  
20 refunds.

21 CHAIRPERSON SHAPIRO: Okay. And the  
22 money that goes here is --

23 MR. REAGAN: The unclaimed winning  
24 tickets.

25 CHAIRPERSON SHAPIRO: -- the unclaimed

1 winning tickets.

2 MR. REAGAN: What's referred to  
3 frequently as the outs.

4 CHAIRPERSON SHAPIRO: The outs. So  
5 they're different pots of money. The jockeys have  
6 the same plight because with the increasing  
7 wagering on the ADW and simulcasting, the monies  
8 that are being generated for the California health  
9 and welfare plan for the jockeys is also  
10 decreasing.

11 And so as we see this shift in revenue  
12 the money that's available for that is also  
13 decreasing. So we should be mindful of that.

14 Again, I personally would be welcome to  
15 support whatever efforts that you make  
16 legislatively or to endorse this. We clearly want  
17 to take care of our backstretch workers, and  
18 clearly they are not in the position to afford the  
19 rising costs.

20 I would encourage you to go to each of  
21 the track's charitable foundations and try to see  
22 what you can do there, too.

23 MR. BOLLING: And that's what we will be  
24 doing. And we've appreciated the support of the  
25 CHRB in the past, as well.

1 DR. ARTHUR: Dr. Arthur. I'm Chairman  
2 of the Board of the CTHF. And just to point out,  
3 and this is no criticism of anyone else, but part  
4 of the reason some of the charity money has  
5 decreased is that money has been allocated to the  
6 jockeys fund. And certainly all those entities  
7 have to make a decision where they're going to  
8 spend some of that money.

9 And we're going to do due diligence to  
10 make sure the industry understand what we're  
11 doing, and what we're trying to accomplish. I  
12 would like to point out that we do have 5000  
13 workers, and we try to cover them with this very  
14 limited amount of funds, plus their families. And  
15 we're talking about a lot of families, 10,000  
16 patient -- in the last year. Thank you.

17 CHAIRPERSON SHAPIRO: Well, clearly  
18 they're part of the backbone that helps keep this  
19 industry alive. And I think we should find ways  
20 to help them. It's also my understanding, and I  
21 don't know the exact percentage, but I think that  
22 the racing law provides that -- I want to say 50  
23 percent of the charitable, maybe it's not 50, but  
24 50 percent of the charitable proceeds are  
25 dedicated to horse racing-related matters.

1                   And so I don't know where -- it's hard  
2                   because it's charity, to see if there couldn't be  
3                   a movement to see if some of the other non-horse-  
4                   racing related matters could be diverted to taking  
5                   care of our own, so to speak.

6                   COMMISSIONER HARRIS: Well, one of the  
7                   issues, I think, is that I don't know if medical  
8                   expenses should necessarily be thought of as a  
9                   charity; the private enterprise relies on the  
10                  employer and employee to pay medical expenses. I  
11                  think this has been, you know, it's been a good  
12                  program historically, it's got a, you know, long  
13                  history. You know, keeping the charitable part  
14                  alive is important, but I think it's got to be  
15                  looked at that somehow going forward that there be  
16                  some revenue coming from the employers of these  
17                  people to pay for this.

18                 VICE CHAIRPERSON MORETTI: You mentioned  
19                 that you have some legislation in process. Do you  
20                 actually -- is there a piece now, or are you  
21                 talking about next year or --

22                 MR. BOLLING: There isn't now. We  
23                 wanted to make sure that this Board was informed  
24                 before we begin that process, so we actually, I  
25                 mean, are going to be starting that process. So

1 we have nothing --

2 CHAIRPERSON SHAPIRO: Just going back to  
3 John's comment, though, but CTHF is a 501(c)(3)  
4 corporation, isn't it?

5 MR. BOLLING: Correct.

6 CHAIRPERSON SHAPIRO: So, it does  
7 qualify, at least, as a charitable entity.

8 COMMISSIONER HARRIS: Yeah, I think that  
9 part is good. I mean they could be the  
10 administrator, but I mean if the total health care  
11 -- I assume that the people that are receiving  
12 treatment are paying something when they come in,  
13 like a per --

14 VICE CHAIRPERSON MORETTI: He said the  
15 copayments have been going up.

16 CHAIRPERSON SHAPIRO: Yeah, and if  
17 you --

18 COMMISSIONER HARRIS: So they're paying,  
19 but I mean -- and I hate to see, you know,  
20 training costs go up, because the whole business  
21 is in an economic, you know, squeeze. But I think  
22 in today's world it's a bit much to think that all  
23 costs for medical care has to come from charity.  
24 It's really got to come from somebody.

25 CHAIRPERSON SHAPIRO: I agree with you,

1 and the problem is last year there was nearly  
2 \$170,000 of the million-four that was spent that  
3 was in copayments. And unfortunately we're  
4 dealing with people who don't have a lot of  
5 disposable income. And therefore, I'm assuming  
6 that's what the problem is.

7 And I guess you're right, the training  
8 rates could be increased; or there's a way to get  
9 the employer, which is the trainer, which will  
10 then be passed on to the owner, and we go through  
11 our normal cycle of problems.

12 But, you might want to meet with CTT  
13 then and talk to them, also, and see if there  
14 couldn't be something from CTT that would endorse  
15 that maybe there is a dollar extra to the day rate  
16 for every trainer, or passed on to the owner to  
17 help supplement this.

18 DR. ARTHUR: We're certainly willing to  
19 look at all aspects of this in the current  
20 structure of what we're proposing, I think, really  
21 is the only thing that works, and has worked  
22 currently. I think Commissioner Harris has  
23 identified the long-term problem, is whether you  
24 want to make this a benefit or a charity type.

25 In terms of legislation, Marie, we are



1 working with Ray Strachs (phonetic) and obviously  
2 nothing goes forward with everyone's support. And  
3 it is -- Ray Strachs, the owners have been very  
4 supportive and contributing stabling -- money was  
5 the only thing that actually kept us from  
6 operating in the red. We've had -- over the last  
7 several years, and we appreciate their support.

8 But all of the money is not used for  
9 security by the CHRP from the uncashed winning  
10 tickets goes to the general fund, and there  
11 obviously lies the problem. But we have to go  
12 unified to get something done. And we have been  
13 talking to --

14 CHAIRPERSON SHAPIRO: Can I ask another  
15 question that somebody else may know the answer  
16 to. The money that is currently in the workmens  
17 comp fund, it's my understanding that the workmens  
18 comp rates are finally starting to decrease, and I  
19 think there's a surplus there.

20 Could any of that surplus be used to  
21 assist CTHF in terms of being used for these  
22 medical expenses? Does anybody know the answer to  
23 that?

24 MR. KNIGHT: I think I can answer that  
25 question. I don't believe it can be, no. I think

1       that money is designated for workers comp premiums  
2       or reductions of out-of-pocket costs for workers  
3       comp. And I think it would take a statutory  
4       amendment to allow use of those funds.

5               COMMISSIONER HARRIS: I think racing  
6       needs to look at, we've got two or three or four  
7       funds. It's pretty confusing, and you know,  
8       people don't like the term slush fund, but that's  
9       what I call it sometimes. And I think we really  
10      need to look at these and see prioritizing where  
11      we want money to go. I mean we want it to go here  
12      or there, but seems like we got this money that  
13      maybe is not really being that well spent; that it  
14      can be better spent someplace else, or maybe not.  
15      But we need to -- I think racing, collectively,  
16      needs to look at that.

17             CHAIRPERSON SHAPIRO: Yeah, I think  
18      that's a good idea; and I think that if we could  
19      get the facts on what we have. If we are, in  
20      fact, building a surplus in the workmens comp  
21      fund. And we could make some statutory amendment  
22      that would allow a portion of any surplus, if any,  
23      that exists in a given year, to be directed to our  
24      backside workers health care, that might be a fund  
25      of money that could be made available.

1                   Again, you know, I view that these  
2                   people are the backbone that helps this industry  
3                   survive.

4                   DR. ARTHUR: I think whatever solution  
5                   has to be something the total industry comes  
6                   together with, together with the trainers, the  
7                   owners and the Horseracing Board and -- so the  
8                   state --

9                   CHAIRPERSON SHAPIRO: Good luck with  
10                  that.

11                  DR. ARTHUR: -- and whatever solution  
12                  maybe is best. And what we did -- we were very  
13                  successful with the money we have, and I think  
14                  we've been very efficient. And I think the  
15                  industry, we happen to know that money is being  
16                  spent for a very good reason.

17                  And if we could supply total health care  
18                  for everybody on the backside. But, you know,  
19                  with 5000 employees and their families, we're  
20                  looking at probably somewhere between 15,000 and  
21                  20,000 people that somewhere fall under, you know,  
22                  or have access to our, you know, program.

23                  And to supply health care for that many  
24                  people is an enormous undertaking.

25                  CHAIRPERSON SHAPIRO: Well, I would

1 encourage you to sit down with TOC and CTT and try  
2 to at least look and see if there are any  
3 surpluses in the workmens comp fund, and how to  
4 try to bridge this problem.

5 And if there's any other funds that are  
6 available that could be used to -- I mean we all  
7 agree, you're doing great work and we need to take  
8 care of the people.

9 But, you know, I think we stand ready to  
10 help in any way we can, as well.

11 DR. ARTHUR: Thank you.

12 CHAIRPERSON SHAPIRO: Any other comments  
13 from anybody on this subject?

14 COMMISSIONER HARRIS: There's a program  
15 California, I think it's a federal program,  
16 California participates in called the healthy  
17 families program that enables anyone's children to  
18 get, you know, full medical care including dental  
19 and eye, I think, for a pretty relatively small  
20 amount.

21 To qualify I think there's some income,  
22 it's got to be under 30,000 or 35,000. But it's  
23 not too low of a -- too high of an income to  
24 qualify. And we need to make sure that they're  
25 signed up for that.

1           MR. BOLLING: We actually assist the  
2 backstretch workers in signing up for that  
3 program, and with their eligible income. So  
4 everyone we can move on to that obviously saves.  
5 It's a great program. And we try to move as many  
6 as we can to that.

7           CHAIRPERSON SHAPIRO: Thank you, again.  
8 I'm going to skip to item number 6 on our agenda,  
9 which discussion on suggestions and efforts that  
10 would stop or limit illegal gambling in California  
11 by offshore entities.

12           This issue was placed on the agenda  
13 because increasingly throughout the country one of  
14 the big issues that's facing racing is that our  
15 signals are being stolen by illegal betting  
16 houses. And we're not deriving any benefit as a  
17 result of that.

18           This is a problem that's a very serious  
19 problem, and I think that everybody in the  
20 industry would agree, is robbing us of much needed  
21 revenues.

22           I don't know what the solution is to  
23 this, but I think that we, as an industry, should  
24 be looking at what we can do. And it probably  
25 should also be in conjunction with other venues,

1 through RCI and other organizations.

2 So, this was placed on the agenda, not  
3 that we're going to have any solution, but to try  
4 and identify what possible steps we could take.  
5 It's a long-range type of problem.

6 Whether we should be working through the  
7 federal government; should we be lobbying our  
8 state legislators to assist us. And so I would  
9 like to open this up to any comments by any entity  
10 that might have some thoughts on it.

11 Not many thoughts. Okay.

12 MR. FRAVEL: I see Chuck Champion coming  
13 up. He knows more about this than I do, I'm sure.  
14 But this is a subject that's been looked at, I  
15 think, the NTRA funded a very significant task  
16 force that includes all of the constituent members  
17 of the industry to look at not only the subject of  
18 illegal offshore wagering, but why we have this  
19 phenomenon of a handle going up and purses and  
20 commissions to racetracks going down.

21 And I'd like to tell you the task force  
22 came out with a recommendation that had a clear-  
23 cut goal or ability to shut down the illegal  
24 wagering activities, but I think for the most part  
25 the conclusion was that it was a matter for law

1 enforcement. And that it's something clearly  
2 within the purview of the California Attorney  
3 General's Office, the U.S. Attorney's Office  
4 around the country, and the Justice Department.

5 And from what I understand, for the most  
6 part, the Justice Department, in particular, and I  
7 think most Attorneys General who have spent any  
8 time looking at it, which I think is relatively  
9 small, have concluded that they're not interested,  
10 and I think rightfully, not interested in  
11 prosecuting individual gamblers who are  
12 participating in the activity.

13 But there has been some movement of late  
14 with respect to, in particular, the acceptance of  
15 advertisements by major publications in this  
16 country from illegal offshore bookmakers or sports  
17 betting activities.

18 And, in particular, I believe "The  
19 Sporting News" just paid a several-million-dollar  
20 fine, agreed to pay a several-million-dollar fine  
21 to the U.S. Attorneys Office, I believe in St.  
22 Louis, for carrying, basically aiding and abetting  
23 illegal wagering activity.

24 And I think that it's interesting that  
25 that has not resulted in a massive decline in the

1 incidents of major publications and websites  
2 accepting wagering advertisements. But I think if  
3 that activity becomes more and more pervasive  
4 you'll find that.

5 One suggestion I would have would be the  
6 Board, through the Attorney General's Office, to  
7 inquire into, you know, how those actions  
8 proceeded. And see if there's a way to piggyback  
9 on them, or encourage U.S. Attorneys in California  
10 to begin to investigate on a similar basis.

11 Because we all know much of this starts  
12 with advertising. You're probably not going to be  
13 able to stop everything from illegal offshore  
14 people who you can't reach from a jurisdictional  
15 standpoint, but you certainly can remove some of  
16 the credibility that goes along with advertising  
17 in major credible publications in this country.

18 So, again, I don't -- I've thought about  
19 this problem over and over again. And candidly,  
20 I'm not sure there's anything that private  
21 entities on this one can really do. Maybe Chuck  
22 can enlighten a little bit more on that because  
23 he's probably looked at it a lot more than we  
24 have.

25 But, it really is a law enforcement



1 question. And the problem that we've had,  
2 candidly, is getting law enforcement interested.  
3 They just don't really take it seriously, I guess,  
4 I'm not sure on that. So I leave it to Chuck to  
5 enlighten you further.

6 MR. CHAMPION: Good morning. Chuck  
7 Champion, Chief Executive Officer and Chairman of  
8 ubet.com.

9 I think Craig is right on a number of  
10 points. For us to turn our attentions to federal  
11 or state law enforcement officers to solve the  
12 problem is probably going to be futile.

13 Look at just what's going on in the  
14 world today around this issue. In the UK  
15 approximately seven or eight months ago an \$11.4  
16 billion IPO was launched where 70 to 75 percent of  
17 the customers of the company were U.S. residents.  
18 It's prolific; it's across the world; it's in the  
19 Caribbean; it's in the UK and the Isle of Mann.

20 And, yes, ubet has spent a lot of time  
21 and attention and energy to try to understand the  
22 problem and what we, as an industry, can do about  
23 it.

24 It affects us in similar ways that it  
25 affects racetracks in that we see our larger

1 customers migrating from our systems to offshore.  
2 And more importantly, not just offshore rebaters,  
3 all the way out to offshore bookmakers.

4 We think that the reason for that is  
5 there's a consumer demand that's being fulfilled  
6 by these individuals. And the industry, as a  
7 whole, unbeknownst to itself, is facilitating some  
8 of the activity.

9 Wagers, as you all know, have a  
10 combination of bet types, or whips as well as  
11 exotics. Bookmakers have very difficult times, if  
12 not impossible, to facilitate, you know, pick-  
13 fours and pick-sixes because of the payoffs. They  
14 have to get those back in the pools if they're  
15 going to take them.

16 Currently we have thousands upon guests  
17 that are entering our parimutuel system, and we  
18 don't know who they are. So the first thing I  
19 would argue to all of us is we need to understand  
20 who these guests are and there needs to be full  
21 and total transparency in anybody we're allowing  
22 to send signal to legally.

23 The second thing is that certain  
24 individuals, you may know who they are, but you  
25 don't know exactly what their operations are

1       doing, you don't know if they're, in fact, you  
2       know, taking bets directly and then also laying  
3       bets off from a bookmaker. So compliance is a  
4       critical issue along with transparency.

5               So, our argument to groups such as  
6       yourselves is first know who people are. Make  
7       sure that there's a proper, you know, process to  
8       identify them. Then set up procedures and  
9       policies to the extent possible on those companies  
10      so that you can insure compliance.

11             We went out, as all of you know, and  
12      bought a offshore rebate shop, IRG. The purpose  
13      for that was to frankly give customers within the  
14      industry an opportunity to go through a regulated  
15      and compliant place where, in fact, we knew who  
16      these people were and we knew exactly what they  
17      were doing.

18             We believed if we and others did the  
19      same thing, give the industry opportunities to  
20      send other customers through those very same  
21      pipes, and start cutting off the illegal  
22      bookmakers offshore.

23             So, again, I think the first step we  
24      take is to make sure that we know who these people  
25      are and we cut off everybody that we can so we

1 don't facilitate the bookmaker. Because if you  
2 ruin the economics you slow the business down.  
3 You will not eliminate them, even if individuals  
4 are arrested and prosecuted, unfortunately others  
5 will likely step up and the combination between  
6 spots wagering and horseracing, there's a lot of  
7 commonality in that. And so, you know, as long as  
8 individuals want to wager offshore in sports,  
9 others are going to offer both sports and  
10 horseracing as an opportunity. And that's going  
11 to be very difficult to combat.

12 But at least we can slow it down. We  
13 can minimize the impact of it. We can start to  
14 get some of the money back into the pools. A lot  
15 of these guys are not paying anything at all. And  
16 it's a start.

17 We also can identify the customers who  
18 are engaged in this. For example, in our  
19 databases we have about 1500 people that  
20 downloaded an enormous amount of racecards,  
21 downloaded an enormous amount of AV, and don't  
22 place a wager with us. Chances are they're  
23 wagering someplace else. And in certain cases we  
24 definitely know the individual's wagering offshore  
25 at a bookmaker in either the Isle of Mann or in

1 Costa Rica.

2 So we can identify these people and we  
3 can start working with them and try to get their  
4 handle back through the parimutuel system, first  
5 through education, and then frankly by letting  
6 them know, you know, that we in fact do understand  
7 what your behavior is, and if necessary, you know,  
8 we will be involved with others to help you get  
9 back into the parimutuel pool one way or another.  
10 Because their activity is, in fact, illegal.

11 Thank you.

12 VICE CHAIRPERSON MORETTI: Does anybody  
13 else have any comments on that? Okay, sir, come  
14 up.

15 CHAIRPERSON SHAPIRO: I'm sorry, I did  
16 want to ask Mr. Champion some questions, but go  
17 ahead. Just stand by.

18 MR. ALEMANY: Good morning. My name's  
19 Arturo Alemany. I'm the President of MIR,  
20 International. Our organization is based in  
21 California. Over the last 18 years we have served  
22 as the go-between with organizations such as  
23 Caliente. At this particular moment representing  
24 also entities like the Mexico City Racetrack,  
25 (inaudible) Corporation and a number of shops, in

1 Panama, the President of Ramon Racetrack and the  
2 Mellones Racetrack in Uruguay. To many of you  
3 friends from a long time ago, many pounds ago.

4 We felt it important to be here today  
5 because when you talk about offshore or when you  
6 talk about international simulcasting, one of the  
7 clearest stereotypes that must be clear on our  
8 behalf is the fact that we're talking about the  
9 mainland operations of race bookmakers called  
10 Caliente, that's a hot, that service all this  
11 community that employs over 15,000 people.

12 It involves the interlinking of an  
13 uplinking facility in Tijuana, Mexico. And has  
14 served, like Roberts communication, or Scientific  
15 Games, for many years, with the same security and  
16 the same transmission guarantees that the industry  
17 does in the United States.

18 It is very very serious on the  
19 competitive side to be able to maintain operations  
20 onshore with the people that have been mentioned  
21 during this meeting. They need rebating any kind  
22 of disposition when you're rebating the customer  
23 is very harmful for Caliente and for the other  
24 groups for the fact that they are not able to  
25 afford that.

1           The other fact is that we would be glad  
2       to help you, as we have for many many years  
3       communicated with Craig and some other people with  
4       the horsemen to police this in any way we can.

5           We have facilities in basically every  
6       point, Mexico, South America and the Caribbean to  
7       be able to look after this in any way we can help  
8       you.

9           The Commissioner of Racing of Mexico,  
10      Venezuela and other places have come to order over  
11      the fact that a lot of these shops are basically  
12      working with a very low staff, and basically  
13      taking mostly the phone bets that we don't take.

14          We don't use the 800 numbers and the  
15      \$7.5- to \$8 million a year that we provide to the  
16      U.S. simulcasting at the U.S. racetracks does not  
17      come from your customers. The fact is that  
18      Caliente and the rest of the companies that we  
19      represent bring in the international player.

20          We don't want to corrupt the number of  
21      the international player. The international  
22      player should be the player that is not betting in  
23      the United States. Here we're talking about  
24      people that have now maximized the 800 numbers,  
25      that are taking the customers away from you, and

1       they are now going after us.

2               So, we're coming after the fact that  
3       they already have done a lot of damage to your  
4       market. Now they're beginning to do it in Mexico  
5       City; they're beginning to do it in Guadalajara  
6       and Monterrey, which are huge markets for us.

7               So, when you guys catch the flu we catch  
8       pneumonia. And the fact is that we have a very  
9       serious this is. And these rebaters have done a  
10      lot of damage with those 800 numbers. I don't  
11      care what they call it. They have done and  
12      pursued the U.S. Custom and now they're pursuing  
13      our customers.

14              As much as you can, because of your  
15      overhead and because of ADDAs that are the result  
16      of racing, going down, I don't think that you can  
17      afford or we can afford to continue to nothing  
18      about rebates and the kind of operations that  
19      we're discussing.

20              I'd be glad to be available for any  
21      comments, or to explain substantially over the  
22      last 18 years something that has been very hard to  
23      explain. What is it that we do and how the name  
24      Caliente came together with about 15,000 people  
25      that right now work with five racetracks all



1 together, in the strongest union of simulcast  
2 consumers, the U.S. racetracks.

3 So we do have a problem. It's a common  
4 problem. And whatever we can, we would love to  
5 help you. We might have a funny accent, but we're  
6 all working for the same goal.

7 CHAIRPERSON SHAPIRO: If I can ask you a  
8 question.

9 MR. ALEMANY: Yes, sir.

10 CHAIRPERSON SHAPIRO: In your letter you  
11 said that in addition to TBG, and I don't think  
12 we're picking on TBG, the above-mentioned sites  
13 also receive direct fees from the host tracks, and  
14 to our knowledge, not pay a single penny to the  
15 host or horsemen for showing the signals.

16 MR. ALEMANY: That's right.

17 CHAIRPERSON SHAPIRO: What I inferred in  
18 reading your letter was that somehow -- correct me  
19 if I'm wrong, that they're pirating the -- are  
20 they pirating the signal somehow?

21 MR. ALEMANY: Yes. At the hub in  
22 Tijuana you have Doc Roberts decoders and you have  
23 Scientific Game decoders. We have the authorized  
24 site, the sites that you are kind enough to  
25 authorize for us every season. Those we control.

1           When we don't get payments from the  
2       consumers, we disconnect decoders. In places like  
3       Juarez racetrack, I'll be very point blank, and  
4       some of the border community operations, which we  
5       are aware of, they receive TBG on the clear.

6           So therefore, if they cannot afford to  
7       make the payment or they don't want to pay for the  
8       signals, they can just open them up and take them  
9       from TBG.

10          They will put a package where they see  
11       TGB throughout the day, and then a few greyhound  
12       tracks that they can afford. And that's how they  
13       keep their places open.

14          CHAIRPERSON SHAPIRO: And is there no  
15       way -- and this may go to Mr. Champion who may  
16       want to chime in here, is there any way that  
17       technology can stop that?

18          MR. ALEMANY: I think it would be  
19       difficult. This is not the first time this has  
20       been brought up. I mean we bring that up on a  
21       regular basis, we try to keep things clean. But I  
22       think has been difficult.

23          Because in one way you're working in a  
24       different way that the Europeans simulcasting. We  
25       value simulcasting; it's worth a lot, so we

1 protect the signal. In Europe they try to give it  
2 in the clear. So they don't control it as much as  
3 we do.

4 But here you have the problem of  
5 distribution of a signal to try to get more people  
6 to watch it. And then in the border communities  
7 you get people that will take advantage of that  
8 and use it for their own commercial purposes.

9 So, I think it's a philosophical  
10 problem. Technology-wise, I met with Doc Roberts  
11 a couple weeks ago, you know, we are concerned  
12 that it's happening more often than not.

13 CHAIRPERSON SHAPIRO: Thank you.

14 MR. ALEMANY: Anything else?

15 CHAIRPERSON SHAPIRO: No, thank you.

16 MR. ALEMANY: Thank you very much.

17 CHAIRPERSON SHAPIRO: Does anybody else  
18 have any comments? Any of our tracks want to  
19 comment on this?

20 Well, I see Mr. Charles is rising from  
21 his illness. He was sick.

22 MR. CHARLES: Ron Charles, MEC. I was  
23 on the committee, the NTRA wagering task force  
24 that Craig spoke about. And we actually left that  
25 force with very little direction as far as how we

1       were going to try to attack this problem.

2               One thing MEC has done over the last  
3       year and a half is to try to work with the  
4       industry to stop the advertising of these offshore  
5       books. We worked very hard with the Daily Racing  
6       Form, who stopped putting them on their daily  
7       papers. We also worked with the Horseplayer  
8       magazine.

9               This is a huge problem in Hong Kong. It  
10       was much larger there. They attacked it; the only  
11       way they felt they could be successful was to  
12       completely cut out the advertising for offshore  
13       bookmakers. And so they made it illegal to  
14       publicly advertise for offshore bookmakers.

15              Not saying we can do that here; that was  
16       a solution that was done in Hong Kong.

17              CHAIRPERSON SHAPIRO: Why can't we do  
18       that here?

19              MR. CHARLES: I don't know. I'm  
20       bringing the point up that it's the first step and  
21       it seems like a simple step, that once we're able  
22       to remove these sites from potential players,  
23       they're more and more likely to either play at the  
24       racetrack or through ADW.

25              CHAIRPERSON SHAPIRO: I know that when

1       you go to Santa Anita on a big day there's the  
2       airplane with the banner flying behind it. And  
3       last year I approached Derry and I said, you know,  
4       there's this airplane buzzing Santa Anita and it's  
5       advertising an illegal offshore bookmaker. What  
6       can we do about it?

7               And I think the answer was that, you  
8       know, frankly the Attorney General's Office was  
9       more focused on serious crime than an airplane  
10      with a banner.

11             Are there state laws now that prohibit  
12      illegal advertising? I mean are there laws that  
13      exist where it is illegal and it can be, you know,  
14      heavy fines and so forth, through any advertising  
15      of illegal activities in the state?

16             MR. KNIGHT: Not that I'm aware of. The  
17      issue is -- the advertising is the tougher issue.  
18      The gambling is illegal. I think there's no  
19      question about that. The Wire Act or the  
20      Interstate Horseracing Act prohibits the wagering  
21      that's not -- doesn't, you know, comply with those  
22      Acts.

23             However, advertising isn't expressly  
24      prohibited by those Acts. So you have, you know,  
25      you have this issue where you have to use the

1       aiding and abetting approach that apparently  
2       was -- Craig mentioned it was apparently used back  
3       in -- I'm not aware of that particular instance.

4               But there's no clear-cut issue. And  
5       then you run into the commercial, you know, free  
6       commercial speech issues, First Amendment issues,  
7       that you have to -- if it's illegal, if it's  
8       advertising for an illegal act, clearly an illegal  
9       act. But the problem you run into is at least  
10      some of these countries it's not illegal where  
11      it's occurring.

12             However, it's illegal to -- so, you  
13      know, these commercial speech issues are not --  
14      there's no square corners on any of these issues.

15             CHAIRPERSON SHAPIRO: But if it is  
16      illegal in California to wager through one of  
17      these entities, why couldn't we have -- try to get  
18      a piece of legislation that said that it's illegal  
19      to advertising any gambling on horseracing in the  
20      State of California?

21             I mean why couldn't the industry --

22             COMMISSIONER HARRIS: Illegal gambling.

23             CHAIRPERSON SHAPIRO: Pardon me?

24      Illegal.

25             COMMISSIONER HARRIS: Only illegal

1 gambling.

2 CHAIRPERSON SHAPIRO: Only -- no, no,  
3 only illegal gambling. I can't imagine there  
4 would be anybody in this room that would oppose  
5 that. And since it is depriving the state, it's  
6 depriving the industry, why wouldn't the industry  
7 get behind running a bill that basically is trying  
8 to stop this and make it a very punitive measure.

9 And, you know, and concurrently I know  
10 that RCI is starting an office of racing security  
11 or integrity -- integrity; and NTRA is doing the  
12 same. And to me this is something that needs to  
13 be attacked both at the state and the federal  
14 level, I agree.

15 I don't know how you eradicate it, but  
16 at least we should be stopping the promoting of  
17 it, which will hopefully lead to the eradication  
18 of it. And also work with Congress, because in my  
19 conversations when I did visit the Capitol, that  
20 they seemed very receptive to looking at ways to  
21 stop this activity from going on.

22 So, why hasn't the industry tried to  
23 lobby to get a bill that would, in essence,  
24 prohibit the advertising of the activity?

25 MR. CHARLES: I think basically because,

1       and I've approached the AG a number of times on  
2       this, there seems to be a gray area, as Derry was  
3       just discussing, that it's a difficult issue to  
4       attack. But it's something that we need to now  
5       address. And if we can, take this route of going  
6       after the advertising. And, if, indeed, you  
7       know, there is a legal remedy to do that, we'd be  
8       the first ones supporting that.

9               CHAIRPERSON SHAPIRO: The studies that  
10       I've seen in terms of wagering patterns has shown  
11       that the fastest growing segment of wagering is in  
12       the offshore illegal wagering sector. It is the  
13       biggest threat to our industry. You know, ADW  
14       pales in comparison to what amount of handles  
15       moving from ontrack to offtrack when you compare  
16       it to offshore.

17              And so the reason this was put on the  
18       agenda is to see if we can't find a way for  
19       everybody to come together and at least promote  
20       some form of stopping it. While we may not stop  
21       it totally, at least then let's try to stop the  
22       advertising of it.

23              COMMISSIONER HARRIS: And one thing to  
24       keep in mind is that there are a lot of bills  
25       moving through Congress now on internet gaming.



1       The big problem with internet gaming isn't really  
2       horseracing, it's everything else.

3               CHAIRPERSON SHAPIRO:   Right.

4               COMMISSIONER HARRIS:   I mean there  
5       probably was more money bet illegally on the  
6       Superbowl on that one Sunday than on racing the  
7       whole year.

8               So I don't know if racing is that much  
9       of a blip on the screen as far as a total issue.  
10      But one of the problems is that some of these  
11      bills would want to eliminate internet gambling  
12      period.  There would just be no internet gambling.  
13      And that would, you know, devastate horseracing,  
14      because effectively all of our simulcasting --  
15      almost every bet that's placed, except the bet  
16      placed on the live track, is some version of  
17      internet.

18              So it's very important we get a carve-  
19      out for horseracing, which the industry is trying  
20      to do.  But if we get too enthused with banning,  
21      you know, internet gaming, it's a little bit  
22      dangerous if we don't carve ourselves out of it.

23              CHAIRPERSON SHAPIRO:   Well, I agree with  
24      that, but I would at least want to see if we  
25      wouldn't endorse, and with the industry, at least

1 a bill that would make it illegal to advertise and  
2 have some very heavy sanctions or penalties that  
3 at least would discourage anybody from flying an  
4 airplane with their name on it, "go bet here", and  
5 trying to advertise it in any publication.

6 MR. CHARLES: Just to clarify that. We  
7 had two airplanes at the same time, dueling  
8 airplanes. We were hoping for a crash, but --

9 (Laughter.)

10 MR. CHARLES: -- it didn't work out.

11 CHAIRPERSON SHAPIRO: That might bring a  
12 hell of a crowd.

13 MR. CHARLES: The other concern that we  
14 have is they are growing. You're absolutely  
15 right, they are growing. And they're also very  
16 active in soliciting our players right off our  
17 tracks.

18 CHAIRPERSON SHAPIRO: I was going to get  
19 to that, because I know that in conversations I've  
20 had with you and others, it's very offensive to me  
21 when I hear that there are people that are ontrack  
22 who are able to spot who the larger wagers are and  
23 are actually going up to them and saying, don't  
24 bet here, bet with us and here's what we'll do for  
25 you. It's illegal.

1                   And I don't know how you stop it all.

2           And Mr. Champion, maybe -- I don't know if you  
3           feel that this is something that your company and  
4           the other ADW providers would endorse.   And  
5           perhaps we could put together at least a letter or  
6           something and see if we can get some legislators  
7           to try and start a movement in California that  
8           hopefully would spread throughout the country.

9                   MR. CHAMPION:   Well, as has been said  
10          here today, a lot of the activity that these  
11          individuals engaged in are clearly illegal.   And  
12          the AG's Office, not only in California is aware  
13          of it, across the United States.

14                  The Justice Department, I don't think,  
15          is really excited about all of this going on, but  
16          I think they have the problem of how do you  
17          enforce it.

18                  You can pass another law that says that  
19          it's illegal to advertise.   And you can try to  
20          hold some of those commercial entities  
21          accountable.   The Sporting News was a perfect  
22          example where the Justice Department was able to  
23          seek and secure, you know, an agreement to drop  
24          charges, and for the company to pay a fine.

25                  The problem is that there's so many

1 others out there, some a lot larger than the  
2 Sporting News, that are already engaged in this,  
3 and the Justice Department has not shown yet any  
4 appetite to go after them.

5 Take, for example, the largest again,  
6 Party Poker. The way they get around it is simply  
7 to out with a partypoker.net site, as opposed to a  
8 partypoker.com site, and they advertise to the  
9 tune of multi-millions of dollars a year. The  
10 customers are obviously moving from a free site to  
11 a paid site to a risk-free site to a wagering  
12 site. And 70 percent, as I said, or 75 percent of  
13 the company's customers are U.S. residents.

14 And I think the solicitation efforts  
15 you've hit on perfectly today are not necessarily  
16 mass media that's attracting the largest amount of  
17 handle shift; it's actually more direct sales and  
18 activity, people ontrack, word of mouth and those  
19 types of things.

20 So, while, you know, we would support  
21 your effort to try to curtail illegal advertising  
22 activity and the fact was involved several years  
23 ago with Charlie Hayward and DRF to ask him to see  
24 what he can do about it. Ron mentioned was able  
25 to secure a successful elimination of advertising.

1       You'll get the other individuals that quite  
2       frankly will file lawsuits and claim, you know,  
3       commercial freedom of the press and everything  
4       else. And I don't think it's going to have an  
5       impact on the problem.

6               I think that if you go after the  
7       economics of the problem and you go after  
8       customers needs, the customers' needs are not  
9       being satisfied and they're going someplace else  
10      to get them satisfied.

11             We've got to work on destroying the  
12      models that underpin that and then be able to  
13      provide, at least to our larger end customers, a  
14      mechanism by which they can stay in our pools.  
15      Because that way there isn't a need to go offshore  
16      to do this.

17             And as Terry Lanning in a speech last  
18      week in Las Vegas said, those customers are not  
19      betting once, those customers are betting twice.  
20      They're betting once on the outcome of the race,  
21      and then they're betting they're going to get  
22      paid.

23             And so there is some risk involved with  
24      these guys being offshore, and we need to educate  
25      people of that risk; we need to educate people to

1 the fact that it's injuring our industry. We need  
2 to educate the individuals that are offshore that  
3 actually the customers are going offshore, that  
4 this activity is illegal and that we can identify  
5 some of them and there could be consequences to  
6 that activity.

7 And then we need to fix the models by  
8 which these others are using, you know, to satisfy  
9 customer needs. That's why we're seeing the  
10 shift. Let's be honest, they're getting a better  
11 deal. And we need to figure that out and prevent  
12 that from occurring. And we need to make that  
13 more difficult for those individuals who are, in  
14 fact, falling back into our pools that allow them  
15 to give those deals.

16 Because a lot of these bookmakers could  
17 not exist and wouldn't have these customers if  
18 they weren't able to lay off back into our pools.

19 CHAIRPERSON SHAPIRO: Well, I understand  
20 that, and again, what I would hope is that you and  
21 others in the industry then would try to come up  
22 with some plan that we could assist you with to  
23 try and visit whether our models should be redone,  
24 whether we should be attacking the advertising of  
25 it, whatever we should do. Because this is

1 threatening your business.

2 MR. CHAMPION: It is.

3 CHAIRPERSON SHAPIRO: It's threatening  
4 every track's business. And it's threatening the  
5 State of California's revenue. And this industry  
6 is not going to survive at the current at which we  
7 are losing our wagering customers when you look at  
8 the numbers. And it's just very concerning to me.

9 MR. CHAMPION: The other thing is there  
10 is digital rights management technology that's  
11 coming that will give, you know, racetrack  
12 operators and uplink and downlink customers -- or  
13 companies the ability to do a better job in  
14 encrypting signals and protecting the media rights  
15 of both the tracks and the horsemen.

16 So that stuff is, in fact, being  
17 developed. It's getting more efficient; it's  
18 getting more regularly deployed. And there are  
19 systems by which now we can monitor more carefully  
20 with greater scrutiny of individuals that may be,  
21 in fact, trying to pirate and steal signals.

22 So that technology is, in fact, being  
23 developed and should be deployed through 2006.  
24 And we should be in a better position at the end  
25 of the year to control signals than we are

1 currently today.

2 CHAIRPERSON SHAPIRO: I know that  
3 because you gave me, and I went to your office,  
4 and I saw the data. And you were able to identify  
5 the hundreds of people that are online for hours  
6 and hours downloading your data and don't make a  
7 wager. Obviously those people are wagering  
8 offshore.

9 Do you share that information with law  
10 enforcement? Is it --

11 MR. CHAMPION: No, we haven't shared it  
12 with law enforcement. What we have done is we've  
13 engaged with some of those customers to try to  
14 ascertain exactly why they're engaged in --

15 CHAIRPERSON SHAPIRO: Well, you know  
16 why. They're getting a better deal.

17 MR. CHAMPION: Well, that's exactly it.  
18 They are, in fact, getting a better deal. And I  
19 know that no everyone in this room would subscribe  
20 to this, in fact, some, you know, are really  
21 violently opposed to it, but there are larger  
22 customers out there that, in fact, do need, you  
23 know, a different type of arrangement with us, if  
24 they're willing to wager the kinds of money and  
25 make the kind of deposits into our sport they are.



1                   CHAIRPERSON SHAPIRO: A frequent wager  
2                   program.

3                   MR. CHAMPION: A frequent wager at very  
4                   high levels. Some individuals are not as careful  
5                   as to, frankly, who they let in and what, you  
6                   know, their levels can be quite low. And they'll  
7                   give rebates to anyone and so on and so forth.

8                   But we've all basically come, over the  
9                   last number of years, used to be rewarded for our  
10                  loyalty and our frequency. It happens in our  
11                  supermarkets; it happens when we ride on  
12                  airplanes. It happens everywhere.

13                  It's not something the airlines wanted  
14                  to do, but it was something they did in order to  
15                  more effectively compete in the marketplace, as  
16                  did supermarkets and as did others.

17                  We can't believe that it's not going to  
18                  affect us and that we're not going to have to  
19                  engage in it. But if we're going to have to  
20                  engage in it, I would argue that we need to do it  
21                  mindfully; we need to do it transparently; and we  
22                  need to make sure the individuals that are  
23                  involved in it are fully compliant to the rules  
24                  and regulations that Boards like you create and  
25                  that the track partners and the horsemen demand.

1                   And when we do that and make that  
2       vehicle available to some of these larger  
3       customers, I think that companies like mine and  
4       others, not mine alone, but others can go out and  
5       start bringing these people back onshore through  
6       legitimate channels of distribution at economics  
7       that make sense for the industry and start solving  
8       the problem at that level.

9                   Because, even again, if, in fact, you  
10      can write additional laws to have them enforced  
11      against individuals and jurisdictions outside of  
12      California, and then outside of the United States,  
13      are problematic, and probably impossible.

14                  CHAIRPERSON SHAPIRO: Well, I don't know  
15      if this is something that the parimutuel committee  
16      should take on. It's a huge task. But I would  
17      recommend that there be meetings with you and  
18      others to look at other models that we should  
19      consider. Because the writing is on the wall.  
20      And you just have to look at the data to see it.

21                  And while none of us like the notion of  
22      rebates and so forth, I happen to agree with you,  
23      that to be competitive in this climate we have to  
24      look at what other models we can create that will  
25      bring our fans back that are going to support this

1 game.

2 And so I would hope that perhaps either  
3 a committee of this Board can work with you and  
4 others in the industry to at least investigate  
5 what could we do. Is there another model that we  
6 could use that would help up protect our wagering  
7 public.

8 And I would hope that we could have  
9 further discussion on this and move this forward.

10 MR. CHAMPION: Thank you.

11 VICE CHAIRPERSON MORETTI: Could I just  
12 ask you a question?

13 COMMISSIONER MOSS: Could I ask you one  
14 question?

15 MR. CHAMPION: Oh, sure, absolutely,  
16 sir.

17 COMMISSIONER MOSS: Do you believe most  
18 players know they're dealing with an illegal  
19 source?

20 MR. CHAMPION: Yeah, I don't think that  
21 they're -- I think there is some that are naive  
22 about who they're dealing with. But most of the  
23 individuals that we're seeing where the real  
24 volume is are very sophisticated guys. And they  
25 know exactly what they're doing.

1           Some of them, I notice, don't recognize  
2           the implications, though. That they don't realize  
3           that the bookmaker they're dealing with is making  
4           no contribution to the sport at all.

5           It's kind of interesting when you talk  
6           to some of them, they say, oh, no, that's not  
7           true, they pay the tracks. No, they don't pay.  
8           Some of them, most of them don't pay the tracks.

9           So they're not unaware that some of the  
10          activity is illegal, but some of them are unaware  
11          that they're having such a drastic impact on the  
12          business, itself.

13          COMMISSIONER MOSS: So, perhaps maybe  
14          publicity-wise we can let more people know that  
15          they are dealing with --

16          MR. CHAMPION: That's exactly right.

17          COMMISSIONER MOSS: -- illegal people.

18          MR. CHAMPION: Right. We're in the  
19          process of looking at least at the 1500 records  
20          that we have, which has now grown to almost -- it  
21          was 1500 about three months ago, and I think it's  
22          1675 now.

23          And some of them were never -- I should  
24          be very clear. A lot of those were never  
25          customers of ours, wagering customers of ours.

1       That because we offer the services and products  
2       that we do, and the array of features, that we're  
3       attracting people that are using us, again, in the  
4       interest of full disclosure, are using us to  
5       facilitate their activities offshore.

6               So these are people that, you know, I'm  
7       not saying came from me alone. They came from  
8       other tracks, they came from other ADW providers,  
9       they came from a lot of different places.

10              But they've come to us and they're  
11       consuming enormous amounts of audio/visual and  
12       enormous amounts of cards. And the nice part  
13       about it is we can see specifically exactly what  
14       they're doing; the time of day they come; exactly  
15       where they wager; what cards. And we know what  
16       tracks are being affected by that.

17              And we'd love to work with track  
18       operators across the country and horsemens groups  
19       to identify these individuals, educate them, and  
20       then explain to them what they're really doing to  
21       the business ecology of our industry. And be able  
22       to afford them some type of rebate, volume  
23       discount, for their activity to get them back  
24       onshore, in the stream.

25              But I need the help of the tracks; I

1       need the help of the horsemen; I need help from  
2       groups like this that basically say that activity,  
3       while it's not something that, you know, we just  
4       love to do is discount our product, it's something  
5       in the world today we're forced to do. Let's do  
6       it in a mindful way.

7               VICE CHAIRPERSON MORETTI: Mr. Champion,  
8       some of your issues, some of our issues here are  
9       not unlike some of the concerns of the music and  
10      motion picture industries obviously with the  
11      piracy issue.

12             They have elevated their issue to the  
13      attention of not only state officials, but federal  
14      officials. Have you had conversations with their  
15      legal teams to see if there's anything that we can  
16      piggyback off of in terms of stopping or lessening  
17      this.

18             MR. CHAMPION: We, many many months ago  
19      actually, nearly a year and a half ago, when  
20      Napster -- or two years ago when Napster was going  
21      through what it was going through, we did have  
22      some initial conversations with them. They  
23      thought the issues were different. Copyright  
24      infringements, the nature of the companies that  
25      were involved being domestic-based.

1           They thought our problem, particular us,  
2       I mean we were very much alone in this two years  
3       ago, would be more difficult. We have not had any  
4       conversations with them in the last 24 months.  
5       But, you know, it might be worth revisiting that  
6       issue.

7           Because I agree, digital rights problems  
8       with music are very similar to the digital rights  
9       issues that you have in this industry.

10           CHAIRPERSON SHAPIRO: Thank you.  
11       Anybody else have any other comments?

12           MR. CASTRO: Stay for a minute. I  
13       didn't mean that as an order.

14           MR. CHAMPION: No, I'm here --

15           MR. CHARLES: I apologize.

16           (Parties speaking simultaneously.)

17           CHAIRPERSON SHAPIRO: Where's the  
18       camera?

19           (Laughter.)

20           CHAIRPERSON SHAPIRO: We need a picture  
21       of this.

22           MR. CASTRO: My name is Richard Castro.  
23       I represent the parimutuel employees. Yes, that  
24       was part of my presentation right now, I wanted to  
25       let you know that we are getting along better. I

1       didn't expect this much, though.

2                   (Laughter.)

3               MR. CASTRO:   Mr. Champion mentioned  
4       something about -- and so did you when you were  
5       there -- about doing research, seeing who is and  
6       isn't betting, that people were using services and  
7       whatever.

8               That sounds to me like you're looking at  
9       customer service shops, and those are people that  
10      are doing that.

11              And I just want to share that with you,  
12      that maybe we can get together and start talking  
13      about that. I don't mean to be mean, but it just  
14      hit me that this is the kind of customer service  
15      jobs that we would be interested in.

16              CHAIRPERSON SHAPIRO:   Thank you. Again,  
17      I would hope to see that perhaps the parimutuel  
18      committee could call a meeting where we could  
19      bring all of the parties together and at least  
20      throw out some ideas of, if we were to break the  
21      box of what we do normally, and we were to  
22      consider a frequent wager program, if we don't  
23      want to use the nasty word rebate, what could we  
24      do?

25              Because it's affecting every segment of



1       our industry. And hopefully maybe we can find some  
2       way to come up with a different model that might  
3       discourage offshore, illegal offshore wagering and  
4       recover from the losses that we're now facing.

5               COMMISSIONER MOSS: Well, can I also say  
6       that I believe we should certainly take Craig and  
7       Ron's suggestion to make it illegal for people to  
8       advertise through these things. And I think that  
9       would be a rather easy thing to start with. To  
10      certainly identify this fact, and to see how far  
11      we can take it on a legal basis.

12             And at least in the State of California,  
13      which is all we can talk about here, at least make  
14      that fact a beginning, so to speak.

15             CHAIRPERSON SHAPIRO: I totally agree  
16      with that. And I think that we should again  
17      proceed on a variety of fronts concurrently to try  
18      to stem this problem as much as possible.

19             There not being any more comment to  
20      that, I don't see -- it's now 11:00 and I don't  
21      know if anybody from the Horsemen, if we're ready  
22      to go back to item 5.

23             COMMISSIONER HARRIS: I see Senator  
24      Florez is here.

25             CHAIRPERSON SHAPIRO: Yeah, I think they

1       wanted a little more time.

2               Okay, we'll go back, then, to item  
3       number 5, which is discussion and action by the  
4       Board on a progress report by the racing  
5       associations on the matter of track surface safety  
6       and consistency, including not limited to, the  
7       installation of poly-track type surfaces.

8               I'd like to ask Mr. Fravel to make a  
9       presentation first before we get into any  
10       discussion on this item so that we are clearly,  
11       the Board and everybody else, understands what  
12       we're talking about when we refer to a poly-track  
13       type surface.

14              MR. FRAVEL:  Let me start out by saying  
15       this is going to be highly speculative -- whether  
16       I can actually get this to work, then I'll go to  
17       making the presentation.  If you'll bear with me  
18       for just a minute.

19              COMMISSIONER BIANCO:  Richard, could we  
20       have a mens break and a ladies break?

21              CHAIRPERSON SHAPIRO:  Sure.

22              COMMISSIONER BIANCO:  For five minutes?

23              CHAIRPERSON SHAPIRO:  Okay, we're going  
24       to take a five-minute rest break.

25              MR. FRAVEL:  You might want to take 20

1       since I'm trying to get this --

2               (Laughter.)

3               MR. FRAVEL:   Sorry.

4               (Brief recess.)

5               CHAIRPERSON SHAPIRO:   Okay, we're going  
6       to bring the meeting back to order.   And we are on  
7       agenda item number 5, Mr. Fravel, if you would  
8       give us a presentation we'd appreciate it.

9               MR. FRAVEL:   Thank you, Mr. Chairman.  
10      Craig Fravel, Del Mar Thoroughbred Club.

11              I should start out by saying I am not  
12      the sales representative, nor an employee or  
13      consultant to the Keeneland Race Course or Mark  
14      Collins International, but Mr. Nicholson was  
15      invited out to make this presentation today and  
16      unfortunately was unable to do it.   And since I  
17      had prepared the presentation for the Board of  
18      Directors of the 22nd District Agricultural  
19      Association and the State Racetrack Racing  
20      Commission, Mr. Shapiro asked me if I'd be willing  
21      to step in and try to be Nick Nicholson.

22              So I'm not nearly as nice as Nick, but  
23      in any case, I'd like to make a short presentation  
24      here --

25              CHAIRPERSON SHAPIRO:   We agree with

1       that.

2               MR. FRAVEL:  Yeah, thank you.

3               (Laughter.)

4               MR. FRAVEL:  -- on poly-track and kind  
5       of update the Board where we at Del Mar are in  
6       this process.  And what some of the things we've  
7       done in the last six months or so are.

8               This actually was the list of people  
9       that we had come down to make the presentation to  
10      the Board of the 22nd District Agricultural  
11      Association in support of our request for funding  
12      for the poly-track effort.  And all of these  
13      people who were here were highly enthusiastic  
14      about the project.

15              I think some of you have heard this name  
16      bandied about a lot, but aren't really clear on  
17      exactly what it is we're talking about.

18              Poly-track is, I like to describe it as  
19      a state-of-the-art athletic field.  I think many  
20      of you know that the various racetracks around the  
21      country, and California is certainly not alone in  
22      this, are based on designs, and in many cases  
23      still have the same sub-base or base that they did  
24      when they were built in 1937 or 1940 or whenever  
25      they happen to have been built.

1           And while athletic fields around the  
2       United States have been modified since the 1980s  
3       with state-of-the-art drainage systems and new  
4       synthetic surfaces, racing, candidly, is still,  
5       for the most part, back where it was in the 1930s  
6       and 1940s in terms of track design and  
7       maintenance.

8           So I'd like to describe poly-track to  
9       the Boards I have to present to as a system, not  
10      just a racing surface, that goes from the horse's  
11      hoof down to the very bottom of the racetrack.  
12      And is designed all to work as one integrated  
13      system.

14           The top layer of which is about six  
15      inches, which comprises sand, synthetic fibers and  
16      recycled rubber. In some installations in England  
17      instead of recycle rubber they use a thing called  
18      jelly cable, which is the coating that goes around  
19      copper wiring. But the availability of that,  
20      particularly in the United States, is somewhat  
21      under question. Although I think Keeneland may  
22      have identified a source for it.

23           So some of the installations in the U.K.  
24      that have currently been installed are a little  
25      different than Turfway Park in Keeneland, for

1       example.

2               All of those materials are weighed and  
3       combined in a very secret process that with a  
4       microcrystal and wax, which is essentially a  
5       manufactured wax product.  It's petroleum-based,  
6       but I don't want you to use the term petroleum-  
7       based as indicating any kind of toxicity to it.

8               The wax that is used is, we have  
9       received all of the environmental impact data on  
10      the wax, and it's entirely nontoxic.  So it  
11      clearly a byproduct of oil and petroleum.  The  
12      main relevance to that being the effect of oil  
13      costs on the price of wax.

14              And as I've told you before, the wax  
15      coating serves a number of functions.  One is to  
16      increase the shear strength or the ability of the  
17      track to hold together, replacing water, which we  
18      use now currently to do that.  And essentially  
19      eliminates water as a variable which affects track  
20      performance.

21              And any of you who spend any time on the  
22      backstretch and around the racetrack know that  
23      even in California, and maybe even particularly in  
24      California, maintaining the right balance of water  
25      and organic materials in a racetrack is probably

1 the -- and making it consistent from, not only  
2 from day to day, but from hour to hour,  
3 particularly with the evapotranspiration rates  
4 that we have here in this state, is one of the  
5 greatest challenges we have.

6 And to the extent I go out to the  
7 backstretch in the morning and get yelled at, it's  
8 typically because our track I put too much water,  
9 not enough water, you name it, he did it.  
10 Sometimes both problems in the same day.

11 But in any case, poly-track, because of  
12 this wax coating, is designed to make water  
13 irrelevant essentially. It has two other  
14 functions, actually, in addition to holding it.  
15 It also reduces dust, which is a nice  
16 environmental byproduct, and a few other things,  
17 as well.

18 So, the bottom of the racetrack is a  
19 vertical drainage system which in my visits to  
20 England they described as a French drainage  
21 system. And essentially what happens here is that  
22 the track starts from the very bottom up with a  
23 clean-stone base, drainage pipes that both drain  
24 longitudinally and latitudinally, so that all of  
25 the water that comes down on the racetrack during

1 rain or is applied, goes right through the track  
2 and out into the drainage system.

3 As you can see, the process starts with  
4 the removal of the dirt surface. Then the  
5 installation of a dense grade aggregate, sometimes  
6 better known as DG. The vertical drainage system  
7 goes on top of that. A layer of aggregate or  
8 stone on top of that. And then, of course,  
9 macadam layer over top of the stone through which  
10 the water that actually falls down in rainfall or  
11 whatever, goes right through the surface.

12 A couple other items, then there's some  
13 testing done. And then the poly-track surface, to  
14 the tune of about six inches, once it's mixed,  
15 goes on top of the macadam surface.

16 Now, this is the track at Keeneland --  
17 the training track at Keeneland that's shown in  
18 all these photographs. And as you can see they're  
19 very careful for the truck not to go on the  
20 macadam surface because they want to keep that --  
21 it's not designed for driving on. The actual  
22 weight bearing is much more effective when the  
23 poly-track surface, itself, is down.

24 As you know, at Keeneland they started  
25 on the poly-track surface doing training on their



1       5/8 mile training track in September of 2004. I  
2       think to say that that has proven to be the  
3       preference of horsemen at Keeneland for training  
4       is an understatement. It's hard to find any  
5       horses actually on the main track during training  
6       hours.

7               And as I understand it, Keeneland is  
8       completing the design process on replacing their  
9       main track and have a board meeting in April after  
10      which they will make the announcement regarding  
11      the installation of poly-track on their main track  
12      during the summer.

13             And I'm not in a position to make  
14      announcements on behalf of Keeneland, but I have a  
15      high level of confidence that some time in April  
16      after their spring meet they're going to begin the  
17      process of installing poly-track there.

18             VICE CHAIRPERSON MORETTI: So, Craig --  
19      sorry, excuse me, but does that -- so they just  
20      use it right now on their training track?

21             MR. FRAVEL: It's only on the 5/8 mile  
22      training track. And from a racing standpoint it's  
23      on the surface at Turfway Park.

24             Again, all these slides were basically  
25      prepared by Keeneland. We made a few

1 modifications to them for our presentation  
2 purposes. But I think one of the things you can  
3 see here is this is the Keeneland training track  
4 and you can see how this horse's hoofs just  
5 basically sit on top of the surface.

6 I think the most remarkable and  
7 beneficial thing about it, particularly at a  
8 racetrack like Del Mar, and you can see this area  
9 surrounding it where the horse has stepped, there  
10 is very little imprint.

11 The recovery ability of this surface is  
12 so dramatic that after hundreds of horses have  
13 covered the same ground, candidly it's very  
14 difficult to see where they have been.

15 I've been to the training surface, the  
16 Warren Hill Gallops at New Market over which about  
17 1500 horses go each morning in strings of 30 or so  
18 sent out by a trainer. It's about as wide as from  
19 here to the table that you guys are on. And if  
20 you walk out after an hour of training in the  
21 morning, during a little break, you can barely see  
22 where horses have hit the surface. Which I think  
23 for any of those who have been out on our  
24 racetrack in the morning and seen where the horses  
25 have worked on the inside, you can see why we

1 think this is a huge advantage.

2 I think from all of our standpoint the  
3 most significant element of this is safety issues.  
4 And at Turfway Park, for example, these are some  
5 statistics that I presented, I believe, about a  
6 month ago, month and a half ago, which show the  
7 number of catastrophic breakdowns for the fall and  
8 holiday meets at Turfway Park.

9 Now the fall meet is what they describe  
10 as basically from September until the end of  
11 December -- or actually September until the  
12 beginning of December; their holiday meet is  
13 essentially through the Christmas holidays.

14 So this is roughly three months worth of  
15 racing. And I should say that in Kentucky they  
16 don't have the same kind of necropsy program that  
17 we do in California, so statistics on catastrophic  
18 injury are not as reliable, if you will, or not as  
19 official as what you would find in California.

20 But these were numbers provided by the  
21 state veterinarian in Kentucky. And you can see  
22 basically during three months of racing, four  
23 months of racing, September, October, November and  
24 December, in '04 there were ten catastrophic  
25 breakdowns. That number was reduced to three in

1       2005.

2               I got off the phone with Mr. Eliston at  
3       Turfway Park this morning, Bob is the president  
4       there, to update these numbers, and that three  
5       remains where it is after another month and a half  
6       of racing into 2006.

7               Now, I hesitate to emphasize these  
8       numbers but I can tell you every summer at Del Mar  
9       there are two months, we lose about between 12 and  
10      16 horses on average, from catastrophic breakdowns  
11      in the morning and the afternoon. These include  
12      both morning and afternoons, by the way.

13              And to experience three catastrophic  
14      breakdowns in the space of almost five months at a  
15      racetrack, I'm not a statistician, so I can't  
16      elaborate on statistical anomalies or statistical  
17      evidence, but anybody who runs a racetrack would  
18      die for these kind of numbers, to just be able to  
19      have three. And to go months at a time without a  
20      catastrophic breakdown.

21              Not just for horses, but for riders, as  
22      well. I'm sure Mr. Broad will be going back to  
23      the Jockeys Guild and suggesting that they get  
24      behind this effort. Because it is truly a  
25      remarkable statistic.

1                   And we didn't want to rely just on  
2           anecdotal evidence or statistical evidence in  
3           making these determinations, so this past year we  
4           asked that as part of a study that Sue Stover was  
5           doing at the University of California at Davis  
6           involving a instrumentive horseshoe that Sue had  
7           developed, that she go back and do testing at  
8           Keeneland on both the training track, the regular  
9           dirt surface, and the turf course at Keeneland.

10           And see how her data on poly-track measured  
11           up with our expectations and our interests.

12           And Sue, although it is very difficult,  
13           as Dr. Arthur, I think would concur, to get  
14           academics to give you preliminary responses to  
15           questions before they fully analyze their data and  
16           have peer review and gone through the entire  
17           scientific research process to publish their data,  
18           I did manage to squeeze out of Sue a letter that  
19           basically gave her preliminary indications of it.

20           And we also sent Sue over to England  
21           through the Dolly Greene Foundation, I believe in  
22           late 2003, to talk with veterinarians in the U.K.  
23           and directly observe poly-track under performance  
24           conditions at both New Market and Lingfield.

25           And as you can see from this response,

1 at least Sue's initial examinations of her data  
2 indicate that our understandings about the safety-  
3 friendliness of this racetrack are justified  
4 scientifically.

5 And we also have worked with the  
6 California Thoroughbred Trainers on a project with  
7 both Wayne MacIlwreath at the Colorado State  
8 University and Mick Peterson of the University of  
9 Maine, who has developed a measurement device to  
10 measure strain, rate and load on racetracks.

11 And I asked Mick to go back to Keeneland  
12 last year to do studies similar to Sue's, but  
13 utilizing different equipment.

14 And as you can see, Mick's response on  
15 the same -- using different equipment basically  
16 led to the same conclusions. That you have a  
17 significant lower module means the level of  
18 compression in the racetrack, which I refer to as  
19 recovery and higher sheer strength, which I think  
20 is something that also lends to reducing soft  
21 tissue injuries.

22 And so as a result we have a lower  
23 incidence of fractures and higher sheer strength  
24 resulting in a lower incidence of soft tissue  
25 injuries.

1           And anecdotally, as well as through some  
2       research that the folks at Keeneland have done,  
3       and Turfway Park, that is borne out by their focus  
4       groups and meetings with trainers and jockeys, as  
5       well, who have been performing over the surface at  
6       Turfway Park.

7           And I have spoken in person with a  
8       number of those trainers including Patrick  
9       Biancone, Wayne Lucas who, although he's a very  
10      positive person, doesn't tend to be positive about  
11      racetrack surfaces, and Wayne continues to be  
12      highly enthusiastic about the potential for this  
13      racetrack surface.

14           These are some statistical -- now for  
15      those of us who care more about money than we do  
16      about safety, these are some issues that relate to  
17      the financial side of this equation.

18           And I have to tell you that these are  
19      sort of mind-boggling numbers. I wouldn't pretend  
20      to suggest that they would be replicated here in  
21      California, although we all know that we have had  
22      a significant decline in product quality over the  
23      last 15 years. We're loathe to admit it, but even  
24      if we maintain our field size where we do  
25      currently, which is struggling to stay above eight

1 in southern California.

2 You can see that at Turfway Park, which  
3 is admittedly not the caliber of racing that we  
4 have here in southern California in particular,  
5 but through the 2005 holiday meet you can see the  
6 results from a financial standpoint.

7 Now, again, I was speaking with Mr.  
8 Eliston several times in the last two weeks and  
9 the report from him was that during January their  
10 handle is up 99 percent over the same period last  
11 year.

12 Now that includes several sort of  
13 extraneous factors. One is they haven't had to  
14 cancel any racing days where they had to cancel  
15 several, I'm not sure of the actual number, in  
16 2005 during January because of weather. Which is  
17 actually one of the reasons they installed poly-  
18 track. And they also have started doing business  
19 again with New York OTB, which they did not do.

20 But even kind of factoring in sort of  
21 same store sales, if you will, Mr. Eliston reports  
22 to me that their handle is up about 35 percent at  
23 a minimum. And I don't think even at Del Mar  
24 where we've been fortunate enough to have some  
25 increases in handle of 1 to 2 percent, sometimes



1       5, in the last few years, none of us can report  
2       that kind of positive financial results.

3               We did some sort of projected annual  
4       benefits if we just increase the handle by 2.5  
5       percent, which I think is modest considering what  
6       I think the potential benefits of extending the  
7       lives and performance of these horses would be.

8               And at 2.5 percent our projected annual  
9       benefit, we projected annual maintenance savings  
10      of a half-million dollars, revenue increases of a  
11      little over half-a-million. By the same token, at  
12      5 percent, our project annual benefit was 1.6  
13      million.

14              Now, obviously we didn't include the  
15      purse side of the equation. Not because we don't  
16      think that's relevant, just because of the lack of  
17      space. And the purpose of this presentation was  
18      to justify the investment for the people that we  
19      answer to.

20              But we think that at Del Mar, which is  
21      only a two-month race meet, by the way, the  
22      possibilities for payback are in the three- to  
23      four-year category, which for most standpoints is  
24      a pretty decent payback period.

25              A lot of people have said, well, what

1 about horses that leave a poly-track location and  
2 go somewhere else. And to the extent there were  
3 some statistics in 2004 and 2005, that horses that  
4 were just training at Keeneland, which was the  
5 only poly-track surface at that time, made 25  
6 percent more starts and won 80 percent more races  
7 than horses in a comparable timeframe 12 months  
8 prior to that.

9 Field size. Volume of '04, 8.5 holiday  
10 meet, '05 10.4. I think that's moderated to a  
11 degree that there are more between 9.5 and 10 at  
12 this point. I don't have the comparisons for  
13 January through the current timeframe.

14 But I think that as you can see, to a  
15 degree, Turfway didn't have the same kind of  
16 problems that we have had in field size. They run  
17 a lot of cheap horses and they've historically had  
18 relatively larger fields, but they have still  
19 realized what I would consider at least a half-a-  
20 horse increase in average field size. Which I  
21 think, again, any of us would take it tomorrow if  
22 we could get it.

23 Mr. Charles could tell you what it's  
24 done for his rate meet just this year, to go from  
25 where they were last year to their current field

1 size averages. And it's been obviously very  
2 meaningful with the recent purse increase.

3 I think this is another element of  
4 things that is not overlooked, but sometimes  
5 people say, well, I don't know if we're really  
6 going to get that kind of wagering activity, or if  
7 people are really going to pay attention to it.

8 Well, the fact of the matter is that one  
9 of the reasons we like this track is because it's  
10 so consistent. Not only day to day, but from rail  
11 to rail. And just from a design standpoint  
12 intuitively that makes tremendous amounts of  
13 sense. And is borne out by the lack of biases, if  
14 you will, on the racing surface.

15 Which I think also explains why handle  
16 would be up 99 percent in 2006 year-to-date,  
17 because candidly I think if you can eliminate  
18 significant biases in racetracks, which I believe  
19 ultimately become a deterrent to large wagers,  
20 you're going to advance the cause dramatically.

21 And just the statistics during Turfway  
22 thus far have proven that people can win from  
23 anywhere on the racetrack. And that's all, even  
24 though we get accused of monkeying with the track  
25 to generate pick-six carryovers, really what we're

1 interested in is a fair racetrack that allows  
2 whatever horse's running style effectively for  
3 them to have a fair shot at winning. And I think  
4 that this has demonstrated itself at least to date  
5 at the Turfway Track.

6 I should point out, you know, Turfway is  
7 the very first installation of poly-track in this  
8 country. And it has been in place in England at  
9 Lingfield for about five years. At Wolverhampton  
10 for about two years now. And it's being installed  
11 at a racetrack in northern England, I believe,  
12 even as we speak, or is about to open.

13 And I wouldn't suggest to you that the  
14 Turfway Racetrack is exactly what we would have  
15 out here in California. Keeneland and Martin  
16 Collins have been doing a variety of testing with  
17 different sands. Sourcing sand, as I reported at  
18 our last Board meeting, has been difficult. And  
19 they are actually testing with some different  
20 sands from Nevada, Modesto and sand actually  
21 trained in from Chicago, to find optimum sand  
22 mixtures and availability of wax that would be  
23 most suited to usage here in California.

24 And Mr. Nicholson has indicated to me  
25 that they would love to come out here and not only

1 meet with the racetracks, but horsemen and the  
2 committee that the Board formed at its last  
3 meeting, to really talk about, you know, how poly-  
4 track would look here in California. And what  
5 progress they've made in terms of, you know,  
6 finalizing a formulation that they think would  
7 work.

8 I would tell you, I don't think they're  
9 100 percent final on that yet. I think they're  
10 still, you know, doing some fine-tuning on it.  
11 And I think a meeting with them and all of us  
12 would be very helpful in the near future.

13 Keeneland, as I told you, did some --  
14 employed a research group, an independent market  
15 research firm to do face-to-face interviews with  
16 trainers and jockeys during the fall meet and the  
17 2005 holiday meet.

18 Some of those results were, as you can  
19 see, 57 trainers, 35 jockeys. And you can see the  
20 margins of error and the confidence levels in  
21 those reviews.

22 The first question: Do you feel  
23 Turfway's poly-track surface is safer than other  
24 racetrack surfaces. A 95.4 percent positive  
25 response to that from jockeys.

1           Average rating on safety, 9.3 with 83  
2     percent giving a rating of 10 or 9. Trainers, 85  
3     percent felt it was safer than other racetrack  
4     surfaces. I think it's remarkable that 85 percent  
5     of trainers agreed on virtually anything, or even  
6     answered the question, so this is a particularly  
7     significant statistic for me.

8           And, again, I think I emailed a copy of  
9     this to Chairman Shapiro before we made this  
10    presentation at Del Mar, so any of you who would  
11    like a copy of it afterward are welcome to have  
12    it.

13          These are some sorts of anecdotal  
14    comments by the jockeys. And I think two of these  
15    are really pertinent. I mean they're all  
16    pertinent, but the one that says it's kind on  
17    horses, it really helps horses that are sore. The  
18    almost glide over it; it's very smooth on the  
19    physical horse. I was amazed by the consistency.

20          These are things we've heard over and  
21    over again, not just from things from Keeneland  
22    and from this research, but when we were over in  
23    the U.K., when we talked to jockeys, trainers, who  
24    not only trained over it for, you know, a hour or  
25    two, or ran over it for an hour or two, but did

1       it, you know, month-in and month-out, and did it  
2       every day at New Market, candidly we couldn't find  
3       anybody to complain about it, which around a  
4       racetrack is a miracle.

5                Again, similar kinds of responses from  
6       trainers. And just anecdotally, I don't have any  
7       statistics on me right now, but the reports in  
8       terms of many are saying that they can get horses  
9       back to the races more quickly. That they're  
10      getting more starts out of them; that overall  
11      benefits not just for the racehorse, but  
12      ultimately for all of us in terms of the yield, if  
13      you will, on our investment, is dramatically  
14      increased with this surface.

15              Back to the question of biases. Jockeys  
16      are actually probably the best witnesses on the  
17      bias question of anyone, because whenever you want  
18      to find out if you got a problem with your  
19      racetrack the first place we go is the jocks to  
20      try and -- at least the ones we trust -- to find  
21      out what their views are on the biases.

22              And by a large, you know, their reports  
23      back to us are very consistent with what we really  
24      get from bettors and other people. And you can  
25      see that 97 percent of the jockeys at Turfway

1 during this research indicated the track was bias-  
2 free. And the same with trainers.

3 That's the end of my slide show. I did  
4 want to report on where we are. Again, with Mr.  
5 Shapiro's help and Howie Zucker, Richard Mandella,  
6 Drew Couto and Halpern, Greg Ferraro and Rick  
7 Arthur, we made a presentation to the 22nd  
8 District Agricultural Association, requesting an  
9 allocation of funding. They were very receptive  
10 to it.

11 Obviously, they realized and we  
12 recognized that there were additional hurdles to  
13 cover, including the California Coastal  
14 Commission; and, you know, some additional, as I  
15 said, we're still finalizing with Keeneland what  
16 the sand sources will be, and the mixture that  
17 will be appropriate to our venue. So we're not  
18 able to provide final budget estimates.

19 But with the understanding that we would  
20 come back with additional information before we  
21 make a final construction go-ahead. They approved  
22 our proceeding with this, and filing with the  
23 Coastal Commission for a permit. And the State  
24 Racetrack Leasing Commission, which is the  
25 ultimate authority that oversees our operation,



1       unanimously approved Del Mar's proceeding with  
2       this.

3               So we are working diligently to answer  
4       any of the questions that are out there; to work  
5       with Keeneland and to make sure that we have the  
6       optimum situation for California. And we're very  
7       hopeful that as soon as we clear all these hurdles  
8       we'll begin the installation process.

9               CHAIRPERSON SHAPIRO: Thank you, Mr.  
10       Fravel. I appreciate it very much that you stood  
11       in for Nick, and almost did as good a job as he  
12       does.

13              I would like to just circle back and  
14       remind everybody that this is back on our agenda,  
15       as two months ago we held a meeting at Hollywood  
16       Park and discussed this initially and said we'd  
17       report back on this subject.

18              In the year of November '04 to November  
19       '05 we had 320 horse fatalities in California. In  
20       the prior year the corresponding dates would 243  
21       horses. That does not include injuries and other  
22       problems that we suffer on a daily basis.

23              We can't afford, in my opinion, not to  
24       move forward with this. And I applaud Del Mar and  
25       other tracks who are looking at it.

1           It's my understanding that Mr. Collins'  
2 poly-track surface is not the only surface that's  
3 available, and I don't think that it's our intent  
4 to endorse any manufacturer, but rather this type  
5 of a surface. I know that there's Topeda and some  
6 others that are out there.

7           In my opinion this is critical to moving  
8 California forward. And we also have stated that  
9 we would like to assist the industry with  
10 subsidizing in any way possible the expense of  
11 installing this.

12           Towards that end I do also want to think  
13 that Mr. Liebau and his legislative advocates, I  
14 believe, are looking at ways to try and seek some  
15 legislative relief or incentive to offset the cost  
16 of installing a poly-track surface, which is  
17 somewhere between \$6- and \$9-million for the  
18 entire type of installation.

19           But, again, given the benefits that are  
20 to be derived from this, and the competition that  
21 we face throughout the country, in my mind it's  
22 something that we must move forward with, and we  
23 must move forward with immediately.

24           Is there anybody else in the audience  
25 that would like to add further to their opinions

1 on this subject?

2 MR. ZUCKER: Good afternoon; I'm Howard  
3 Zucker, CTT Board. I want to thank Mr. Fravel; I  
4 want to thank the members of the Board and the  
5 other track operators for keeping this subject in  
6 your focus.

7 I think it's a big improvement just  
8 having it in your focus. And I see movement. But  
9 I'm here to tell you that as of now we're still in  
10 the same place we were two months ago when we came  
11 before you. We've got a lot of problems, way too  
12 many problems.

13 The numbers that Craig showed at  
14 Turfway, as far as catastrophic breakdowns goes,  
15 with half the number of starters we currently put  
16 down four times the number of horses. A polymer  
17 surface of some type certainly seems to be the  
18 answer. Everywhere they've used it, at least  
19 these tragic breakdowns have fallen way off.

20 There may be different types of these  
21 poly-tracks. I think the racetracks have to  
22 decide for themselves what they're going to put  
23 in. And the difference between the poly-tracks  
24 that I've seen are Keeneland and Turfway.

25 May have something to do with the

1 different times of year they run or the different  
2 materials available, but in any case, every time  
3 it comes up winner as far as safety goes.

4 And I'd like to ask the trainer to come  
5 up, maybe Charlie Dougherty to come up, and  
6 discuss some of the problems we've been having. I  
7 know he came down from up north and wanted to  
8 carry a message from some of the trainers at  
9 Golden Gate.

10 And I, myself, was told by Art Sherman  
11 to mention to you that they were having a  
12 particularly tough time there at Golden Gate. I  
13 can't believe it's any tougher than the time we're  
14 having at Santa Anita. But, Charlie.

15 MR. DOUGHERTY: Charlie Dougherty,  
16 California Thoroughbred Trainers, based in  
17 northern California.

18 As Howard said, trainers up north are,  
19 you know, going through similar problems as in  
20 southern California, whereas it just seems to be a  
21 continual problem with the racing surfaces. And  
22 in particular, it could be the maintenance, it  
23 could be the overall track surface, itself.

24 I know in the case of Golden Gate Fields  
25 it is almost the unanimous opinion of the trainers

1 up there that we need to have a resurfaced  
2 racetrack. What type of surface goes in, I think,  
3 you know, we all need to work together on.

4 But, you know, the numbers are pretty  
5 telling up there. The leading trainers are just  
6 getting more and more frustrated with the amount  
7 of horses that they have to take out of training,  
8 are going through surgeries. One particular  
9 trainer gave me a sheet that, just in the fall,  
10 lost over 20 horses while training and racing over  
11 the Golden Gate surface.

12 And this is not just to pinpoint it at  
13 Golden Gate Fields, because we are going back and  
14 forth; and there are two different surfaces  
15 between Bay Meadows and Golden Gate.

16 You know, I talked to the leading  
17 veterinarian practicing in northern California who  
18 probably treats 40 percent of the horses in  
19 northern California. And he tells me he's  
20 averaging about 15 surgeries a month right now.  
21 And he said five years ago that would have been  
22 about eight surgeries.

23 So, it's pretty telling and dramatic,  
24 the amount of increase in the amount of injuries.  
25 And we just need some new surfaces in the north,

1 as well. And, you know, all the trainers are in  
2 support of a new surface.

3 What type? You know, I know that  
4 there's some questions as to what specifically  
5 should be put in. But we have major problems up  
6 there with the surfaces.

7 CHAIRPERSON SHAPIRO: Thank you.

8 MR. MANDELLA: I am Richard Mandella,  
9 horse trainer. I just like to speak at these  
10 things.

11 (Laughter.)

12 MR. MANDELLA: I think everybody in this  
13 industry, especially the people here today, owe it  
14 to the game to pay attention to the numbers that  
15 have been on this board, and realize we have to do  
16 everything we can to protect horses. Too many  
17 have been put down; too many injured. The game's  
18 very fragile because of that.

19 I would make some suggestion that in the  
20 coming months, this is very obvious that it's a  
21 steamroller effect and it's going to get stronger  
22 and stronger. And I would use the likeness of a  
23 difference between an engagement and a marriage.  
24 For six months you're engaged and you're just rah,  
25 rah, rah, everything's exciting.

1                   We all know the indecisiveness of  
2           trainers, including myself. And we all realize  
3           that last week before you get married you start  
4           noticing gee, she has a pimple on her face, --

5                   (Laughter.)

6                   MR. MANDELLA: -- she walks a little  
7           funny, you start getting the heebie-jeebies. And  
8           I hear a lot of that --

9                   (Laughter.)

10                  CHAIRPERSON SHAPIRO: Good luck when you  
11           get home.

12                  (Laughter.)

13                  MR. MANDELLA: Realize that the closer  
14           you get to it, the more pressure will be put on  
15           trainers, owners, racetracks about the expense of  
16           doing this and the change that's coming. And the  
17           heebie-jeebies will set in.

18                  And you all have to be strong and  
19           recognize that these numbers are very important  
20           and you have to stick to the course. And we need  
21           to get something done.

22                  Thank you.

23                  CHAIRPERSON SHAPIRO: Thank you, Mr.  
24           Mandella.

25                  In light of that I would like to make a

1 motion related to this. And that motion would be  
2 to adopt a rule that would read as follows:

3 As a condition to license any track that  
4 operates four weeks of continuous thoroughbred  
5 racing in a calendar year must install a polymer  
6 synthetic type racing surface by no later than  
7 December 31, 2007."

8 Is there a second?

9 COMMISSIONER MOSS: I second.

10 CHAIRPERSON SHAPIRO: Seconded. Is  
11 there any discussion on it?

12 There being none, I'll call for the  
13 vote.

14 All those in favor?

15 (Ayes.)

16 CHAIRPERSON SHAPIRO: The motion is  
17 unanimously approved.

18 COMMISSIONER HARRIS: We need to put  
19 this out for comment and all that?

20 CHAIRPERSON SHAPIRO: Yes. This will be  
21 put out for a 45-day comment period. Thank you.  
22 I again urge the industry that we need to do this.  
23 We understand it's a great expense. It's not --  
24 we can't sit around and argue over how it's going  
25 to get paid for.



1           I think everybody should be receptive to  
2       whatever means to assist it being installed,  
3       whether it be C&C funds, there could be no better  
4       marketing than installing a good racetrack.  
5       Whether it's through legislative efforts. I think  
6       that everybody should band together, but we need  
7       to get this done and we need to get it in now.

8           I would hope to see that there could be  
9       a succession of installations starting with one  
10      track, whether it be a manufacturing plant in  
11      California, that the tracks get together so that  
12      we can have consistent racetracks throughout  
13      California. And we will put California back in  
14      the leadership of its racing surfaces in the  
15      country.

16           MR. FRAVEL: Mr. Chairman, Craig Fravel  
17      again. Just one thing I forgot to mention. There  
18      has been one installation of this surface on the  
19      west coast. And Mr. Nicholson and I discussed  
20      perhaps having a group go up to see. There's a  
21      training center in the State of Washington that  
22      actually jumped on the band wagon very early on  
23      and installed it within the last three or four  
24      months.

25           And I'd like to try and schedule

1 something with the track committee that you  
2 appointed at the last meeting to go up and take a  
3 look at that surface and --

4 CHAIRPERSON SHAPIRO: Can we go to  
5 Lingfield, instead?

6 (Laughter.)

7 CHAIRPERSON SHAPIRO: Thank you. I'm  
8 sure we would like to do that.

9 MR. FRAVEL: You can go anywhere you  
10 want.

11 CHAIRPERSON SHAPIRO: Thank you. All  
12 right. I'm still jumping around on the agenda  
13 only because the item number 7, which is going to  
14 be probably the most lengthy item, half the people  
15 that aren't in the room are outside dealing with  
16 it.

17 So therefore I'd like to move on to item  
18 number 8, which is the staff report on the  
19 concluded race meets of Sacramento Harness  
20 Association and the Hollywood Park Fall Racing  
21 Association.

22 MR. REAGAN: Commissioners, John Reagan,  
23 CHRB Staff. As you indicated, in the package we  
24 have the two end-of-meet reports. Both meets saw  
25 increases in their average daily handle, ontrack

1 handle and offtrack handle, so we're always glad  
2 to see that.

3 If you have any questions about these,  
4 we'll try to answer them.

5 COMMISSIONER HARRIS: It's Sacramento; I  
6 was hopeful that with their new management there  
7 that they would be able to increase their ontrack,  
8 but it looks like that didn't really happen. Is  
9 there some --

10 MR. REAGAN: Well, I think we had a 4.7  
11 increase in the ontrack handle.

12 COMMISSIONER HARRIS: I mean ontract  
13 attendance.

14 MR. REAGAN: Oh, attendance, yeah.

15 COMMISSIONER HARRIS: I mean ontract  
16 attendance is still pretty dismal for that big of  
17 a market. I didn't know if there's some  
18 initiatives they have going forward and maybe they  
19 haven't been able to do yet. Or is there some --  
20 I just hate to see, I mean there's more people  
21 showing up at a bad movie than the harness races.

22 CHAIRPERSON SHAPIRO: Mr. Schick, could  
23 you possibly give us an update on your efforts and  
24 what's going on?

25 MR. SCHICK: Good morning, Chairman

1 Shapiro, Vice Chairman Moretti, Commissioners.

2 Christopher Schick, Sacramento Harness.

3 Just wanted to give you an update.

4 Obviously we did see some increase in ontrack  
5 handle; overall our handle was good. We did race  
6 25 percent more days than the comparison period.  
7 So we added seven Wednesdays into this mix.

8 So, the numbers would have been  
9 significantly higher if we didn't add those  
10 Wednesdays in. But we really needed to give the  
11 horsemen that opportunity to race. And coming off  
12 the racing at the State Fair, our horses were  
13 ready to race. So, we did run 53 days versus 43  
14 days for the period of last year.

15 So, on balance, we were reasonably  
16 satisfied with the results from our first meet.  
17 And I'd like to publicly thank the staff, Mrs.  
18 Fermin, John Reagan, Roy Minami, and the entire  
19 staff has been really helpful to us. Obviously  
20 there's been a learning curve for us, being our  
21 first meet. And I appreciate their help.

22 Our average starters went up, although  
23 we raced 25 percent more days, we went from 7.5 to  
24 7.7, and I think we're making some progress moving  
25 forward this meet towards the eight starter per

1 race marker. So that was positive.

2 Our track was in great shape the entire  
3 meet. We just got through a big discussion on  
4 track, and hopefully we would be excluded from  
5 that poly-track motion. But we had no breakdowns  
6 at all for the entire meet during the racetrack.

7 Our surface, by all accounts of the  
8 horsemen, was in great shape. I think that was,  
9 in fact, due to the fact that the track never got  
10 changed over to thoroughbred racing, and then  
11 having to be changed back. That's a big ordeal  
12 every year, and it really kept a very consistent  
13 surface coming into our fall meet. And we were  
14 rather dry for the fall, too.

15 So we were really happy with the track,  
16 no breakdowns. We lowered our qualifying standard  
17 for racing by two full seconds, which obviously we  
18 received some of the wrath from the horsemen, but  
19 we need to improve the quality of racing there.

20 We had a track record on November 19th,  
21 a horse that came out to race in the UBet pacing  
22 series, a world champion road kill. Went to first  
23 sub 150 mile in California, 149 on November 14th.

24 So the racing was good; the fields were  
25 fuller; it was very competitive. And I think the

1 fans, after 24 months of decline in handles, are  
2 slowly coming back to the product.

3 To address Commissioner Harris' question  
4 more about the attendance. We are midway through  
5 a \$1.4 million grandstand and turf club renovation  
6 right now. It's a major endeavor for us, as a  
7 young company. And we're expecting it to be done  
8 by the end of April.

9 We've been, over the winter, kind of  
10 strategizing what our marketing plan is going to  
11 be, but we do have a strong plan in place for when  
12 this project comes online. We think it's going to  
13 really help market the sport in Sacramento, really  
14 improve the experience for the ontrack patron.  
15 And that's something that's really been lacking  
16 with this facility that we've been dealing with  
17 here. So, hopefully this renovation project will  
18 really help. We're optimistic that it will.

19 I want to mention on the marketing fund,  
20 in addition to the renovation, we launched a radio  
21 show which has become very popular on KHBK-1140.  
22 It's the K station in Sacramento; Saturday  
23 morning, 10:00 to 11:00, dealing with horseracing.  
24 We deal mostly with harness racing, but we deal  
25 with quarter horse racing and thoroughbred racing,

1 as well. And it's turned out to be a very popular  
2 show. It was the leader in the Arbitrons in the  
3 fall book, believe it or not. We were shocked.

4 So the radio show's going good. We're  
5 getting ready to launch our television show on  
6 Comcast Sports Net within the next couple of  
7 weeks. So, we've got some strong marketing going  
8 forward.

9 In terms of the community, we're a not-  
10 for-profit company. We've had some substantial  
11 involvement in the community. We had a \$50,000  
12 contribution to the 9/11 memorial at CalExpo,  
13 which is very important to CalExpo and a number of  
14 their directors. And it will be a real nice  
15 project for the community once that gets done.

16 We've also -- we're a major sponsor in  
17 the Shriners Northern California Childrens  
18 Hospital in a golf tournament there that raised  
19 75,000. We had a community night for the  
20 Sacramento Regional Foundation where we gave away  
21 the gate. We were very proud of the fact that we  
22 had over 2400 gatepeople on this night. And I'd  
23 also like to publicly thank Chuck Champion and  
24 UBet was the sponsor of the signature race that  
25 night, the UBet Free-for-All pacing series. And

1 we had a big crowd there that night; it was a  
2 prototype event for us moving forward, and we know  
3 what can get people to the track, and we did it on  
4 November 12th. And it was a big night.

5 So, we got a lot of things moving  
6 forward. Our meet so far, this so far we've raced  
7 22 nights; it's going real well. And we're  
8 optimistic that we're going to keep going.

9 We do face some major challenges like  
10 you hear from the thoroughbreds, trying to keep a  
11 competitive product on the field. We're going to  
12 have no less than seven harness tracks open in the  
13 next six months that are going to have slot  
14 machines. And it's going to be a major challenge.

15 Not so much that the people that we have  
16 here are going to leave to race in those venues.  
17 The people that we have are fairly committed to  
18 racing in California. It's just going to make the  
19 market, the recruiting efforts to get new stables,  
20 and the market for our people when they go back to  
21 the sales, trying to buy horses. It's going to  
22 put them at a huge competitive disadvantage.

23 So, we're working on a plan right now to  
24 offer some major new horse incentives, going  
25 forward. We had a pretty strong plan coming into



1 the fall meet. It was successful. We're going to  
2 build on that and even make some real strong  
3 incentives for people getting new horses going  
4 forward.

5 So, all in all, you know, we're fairly  
6 satisfied with where we are, and I'd be happy to  
7 take any questions from the Commissioners.

8 CHAIRPERSON SHAPIRO: Thank you, Mr.  
9 Schick. And I do want to compliment you on some  
10 of the new handle records that you've had of late.  
11 I've seen that your handle has been increasing. I  
12 hope you will continue your marketing efforts to  
13 bring live fans back, and when the renovation  
14 project is done. And I also see that you've  
15 brought some new stables out from the east, and I  
16 think that's a positive step, too. So we just  
17 wish your continued success and keep trying.

18 MR. SCHICK: Thank you very much.

19 CHAIRPERSON SHAPIRO: Thank you.

20 MR. LIEBAU: My name's Jack Liebau from  
21 Hollywood Park. I'd just like to comment for a  
22 minute on the results of the Hollywood Park fall  
23 meet.

24 I would say that I'm not satisfied with  
25 them, but I think that they need to be reviewed so

1       that people realize exactly what happened. We do  
2       not have a turf course, as everybody knows. But  
3       despite the absence of a turf course our average  
4       number of starters was 7.4 compared to the  
5       previous year of 7.5. And I can tell you that  
6       that's even closer than one-tenth, because there's  
7       rounding that has been involved in getting to  
8       those numbers.

9               Our average handle per starter was up a  
10      little bit. Also, I think that when it was  
11      learned that we weren't going to be able to use  
12      the turf course that we had inherited, there was  
13      some fear expressed by representatives of Santa  
14      Anita and the Thoroughbred Owners of California  
15      that we might use up the entire population of dirt  
16      horses, and thereby hurt the coming meet at Santa  
17      Anita. That has certainly proved not to be the  
18      case. Santa Anita has had a fantastic field size  
19      is concerned.

20             As far as our average daily handle is  
21      concerned it was up slightly, as was ontrack and  
22      offtrack in California. The average daily was up.  
23      We were down as far as out-of-state wagering is  
24      concerned. I think that that was largely because  
25      we did not have turf racing. But that decrease in

1 out-of-state wagering was set off by the ADW  
2 increases in ADW handle.

3 The bottomline is that our average daily  
4 handle was up despite not having a turf course.  
5 We think our turf course, I can report, is coming  
6 along fine. We have every expectation that we  
7 will encounter no problems with it, even opening  
8 day. Some people have said that we won't run a  
9 turf race until June. I don't think that that's  
10 the case.

11 As I said, I'm not satisfied with these  
12 results, but they are better than the preceding  
13 year. And we look to do better in the future.

14 Thank you very much.

15 CHAIRPERSON SHAPIRO: I would like to  
16 ask, in this end-of-meet summary I did not see any  
17 staff report or report. I thought we had a policy  
18 that the stewards would be giving us a report.  
19 And I don't see that it's included. I was  
20 disappointed to see that there wasn't anything  
21 included in our packets.

22 EXECUTIVE DIRECTOR FERMIN: I don't  
23 think we've had it included in the packets. But I  
24 can, I'll get it out.

25 CHAIRPERSON SHAPIRO: Okay. I would

1       like to see that our staff provides us with a  
2       staff report so that rather than just seeing  
3       statistics, we can actually review the meet and  
4       what problems were encountered, what corrections  
5       can be made, and what improvements we can  
6       implement to make these meetings more productive  
7       to us. I thought that was what we thought.

8               EXECUTIVE DIRECTOR FERMIN: You didn't  
9       get an email?

10              CHAIRPERSON SHAPIRO: I didn't get it.

11              EXECUTIVE DIRECTOR FERMIN: Okay.

12              CHAIRPERSON SHAPIRO: No. So I do ask  
13       the staff, please do that.

14              EXECUTIVE DIRECTOR FERMIN: Sure.

15              CHAIRPERSON SHAPIRO: Okay, the next  
16       item will be item number 9, Stewards Committee.  
17       If somebody who doesn't care about the stewards  
18       committee report is perhaps at the back of the  
19       room could let the people who are out meeting  
20       outside know that we are about to deal with the  
21       ADW matter, their time has run out. I would  
22       appreciate it.

23              If we could have a report from the  
24       stewards committee.

25              COMMISSIONER HARRIS: The stewards met

1 on Valentine's Day, very appropriate, on Tuesday  
2 of this week. And I was the only Commissioner  
3 there, because Commissioner Shapiro was --

4 CHAIRPERSON SHAPIRO: On the vets list.

5 COMMISSIONER HARRIS: -- on the vets  
6 list. But he's worked since, and blood tested  
7 fine.

8 (Laughter.)

9 COMMISSIONER HARRIS: I thought it was a  
10 very productive meeting. It was well attended by  
11 most of the stewards, and all gave good input. We  
12 had Darrell Vienna there; he was a trainer and an  
13 attorney, as a resource. And he did a great job  
14 in reviewing the laws of evidence and a lot of its  
15 applications in stewards hearings. And he  
16 remained for the whole meeting and we had good  
17 input on several of the issues.

18 The whole thing lasted about six hours  
19 and thought it was something that we need to  
20 continue to do because both for continued  
21 education and to pinpoint possible clarifications  
22 that we need in our own policies.

23 Basically one of the things we did was  
24 look at several racing videos of contentious  
25 inquiries and try to get good consensus among the

1        stewards of the way that they should be called, or  
2        uniformity. I think there's almost any call that  
3        you see, you can make a pretty good case for the  
4        decision.

5                I think the main concern of the fans and  
6        the public and the racing community is  
7        consistency. So I think the Board needs to work  
8        with the stewards on how do we get more consistent  
9        calls. Obviously 90 percent of the calls are  
10       fairly straightforward, but on the real close  
11       calls there's always going to be a debate, which I  
12       think we need to clarify between does a close call  
13       go to the concept of line in order face the stand,  
14       or should the close call go to effectively the  
15       horses offended should get moved up because absent  
16       that offense you didn't know really how he was  
17       going to run.

18               So I think Richard and I and Ingrid and  
19       whoever else is interested needs to work on this  
20       and see if we can come up with really a more  
21       unified approach to these inquiries and eliminate  
22       a lot of the debate that we have on contentious  
23       inquiries.

24               Another issue that was discussed was the  
25       required blood test to get off the stewards list.

1 And this is just kind of a logistical problem.

2 But apparently now you have to have, when you  
3 enter you have to be off the vets list. And the  
4 problem is we've got 72-hour entries at times, and  
5 we've got delays in getting the blood tests back.

6 I think the CHRB has some latitude in  
7 waiving that when a horse enters, as long as that  
8 horse doesn't take the place of another horse in  
9 the race, got second preference and doesn't make  
10 the -- isn't the sole horse, or make the race go  
11 in case it isn't able to start later. So I think  
12 the consensus is there that we do need to get some  
13 flexibility on that.

14 We also talked about the overall  
15 capability of the video equipment that we use to  
16 analyze races. And I have some concerns that even  
17 though we have a lot of good cameras and a lot of  
18 good camera angles, we need to be sure that we're  
19 state of the art, and we should be digital rather  
20 than tape. And we should have a system that would  
21 allow stewards to look at any point in the race by  
22 different angles at the same time. Where we don't  
23 exactly have that now, where you could see the  
24 head-on and the pan shot at a given point to see  
25 really better what was happening. So we need to

1 fine-tune our video capabilities.

2 Another thing which was an interesting  
3 discussion was the overall interaction between the  
4 stewards and the media. Really we're in a much  
5 more media-oriented world now than we were 10 or  
6 15 years ago, with TVG and HRTV, and so the other  
7 networks covering racing, really TVG and HRTV  
8 covering virtually every race, and comments on it.  
9 And there everyone is an armchair steward  
10 including the commentators. And there's a lot  
11 more discussion at the media level of any inquiry  
12 in a race.

13 And I feel there's a need for the  
14 stewards to explain their decisions, conflicting  
15 opinions on that. I don't think we want the  
16 stewards have to defend their positions, it's just  
17 they should be able to explain what did happen. I  
18 think that will give them more credibility.

19 We're trying to work with them on that.  
20 Some of the stewards feel that, you know, a call's  
21 a call and just move on to the next race, don't --  
22 we shouldn't have to say anything. But, I think  
23 it really enhance the credibility. And it has  
24 happened on some occasions where they do comment  
25 on why a call was made.



1                   Because a lot of times when you see some  
2                   call that you think is disputed. And you see the  
3                   whole thing, you see the reasoning for it. It  
4                   really reinforces the reason the call was made.  
5                   And I think it'll be a good thing to do going  
6                   forward. And I think once it catches on it will  
7                   help the overall credibility.

8                   So we're going to continue to have these  
9                   meetings and we've got a good group of stewards.  
10                  We hope we can just keep continually enhance our  
11                  capabilities.

12                 CHAIRPERSON SHAPIRO: Thank you for,  
13                 first of all, I thought the report that you gave  
14                 was extremely complete and I would hope that we  
15                 would have each committee that we have a report  
16                 like that.

17                 I did, despite being on the vets list, I  
18                 did get downloaded on it from a variety of people,  
19                 including yourself and Ingrid and Darrell Vienna.  
20                 It sounds to me that a lot of progress was made  
21                 towards helping us institute and review the rules  
22                 that we're currently using for making decisions  
23                 and creating better consistency which will benefit  
24                 the sport and our fans. And I think it was an  
25                 excellent meeting. And to everybody that

1 participated, I do thank you.

2 Okay. All right, we're going to take a  
3 five-minute break again. I'm sorry. Which will  
4 allow Richard Castro to use the restroom.

5 (Laughter.)

6 CHAIRPERSON SHAPIRO: And then we will  
7 come back and we will then deal with item number  
8 7. Thank you.

9 (Brief recess.)

10 CHAIRPERSON SHAPIRO: If everybody will  
11 please take a seat I promised Commissioner Harris  
12 he would make the first race, so we've got to get  
13 on with it.

14 Okay. This is going to be item number 7  
15 on the agenda. It's long, and so I'm not going to  
16 read it, but I would like to just make an  
17 introduction of it.

18 This matter is a continuation, in part,  
19 of last month's discussion. But focuses only on  
20 issues in dispute. And is being heard by the  
21 Board as a result of multiple requests by the  
22 Board to hear the matters.

23 Horseracing law states that matters in  
24 dispute shall be heard by the Board under section  
25 19604(k). It states: Any disputes concerning

1 interpretation or application of this section  
2 shall be resolved by the Board."

3 To my knowledge there are a variety of  
4 issues that are currently in dispute, which  
5 include but are not limited to, how hub fee rates  
6 are determined; who can import thoroughbred races;  
7 and when. And when a dispute exists, how should  
8 the disputed funds be accounted for.

9 If I've omitted any other issue in  
10 dispute that we need to deal with i would like it  
11 brought to our attention.

12 This agenda item is not intended to be a  
13 discussion on the way ADW should be conducted in  
14 the future, or any modifications of the existing  
15 agreements. Those issues will be discussed in a  
16 series of meetings to be chaired by me and Senator  
17 Dean Florez. The first meeting of which is  
18 scheduled for February 24th.

19 I must add that I'd hoped this Board  
20 would not have to hear these matters today. And  
21 I've tried to get the parties involved in the  
22 dispute to meet together to work through their  
23 differences. Therefore, I hope they will continue  
24 to do that, because I believe it's in the best  
25 interests of the racing industry.

1                   Therefore, I will open it. And I see  
2                   that Mr. Couto is already standing at the podium  
3                   with words of wisdom.

4                   MR. COUTO: I doubt that, but, Drew  
5                   Couto, Thoroughbred Owners of California. Good  
6                   morning to the members of the Board -- I should  
7                   say good afternoon.

8                   I think you're all aware that the  
9                   parties with interest in this matter have been  
10                  discussing a possible way to resolve or postpone  
11                  the discussion of these items in front of the  
12                  Board.

13                  And I'm pleased to say that we have  
14                  reached an agreement temporarily that will take  
15                  some time -- I shouldn't say we've resolved the  
16                  issues, but we've agreed on a process to go about  
17                  trying to resolve the issues, both short-term and  
18                  long-term.

19                  And I must thank Senator Florez and Bob  
20                  Alvarez for their efforts today to get the parties  
21                  to speak candidly and reasonably about what was  
22                  going on.

23                  Based on everyone's agreement, we would  
24                  like to jointly request that the Board continue  
25                  this agenda item until March, and that the parties

1 will be working over the next 30 days to again  
2 reach an accommodation to everyone's interests.

3 And we may come back -- I want to be  
4 upfront, that we may come back and ask for an  
5 additional 30 days to the April Board meeting to  
6 resolve it, because of the complexity of the  
7 issues.

8 So, with your permission and  
9 acquiescence, again we'd like to take this item  
10 off calendar today and reschedule it for March;  
11 that it may or may not go then.

12 CHAIRPERSON SHAPIRO: I have no  
13 objection to doing that. In fact, I encourage it  
14 because I expect it will be a very lengthy and  
15 involved discussion.

16 And I want to thank all the parties for  
17 getting together and trying to amicably work  
18 through an issue. And I want to especially thank  
19 Senator Florez and Mr. Alvarez for their  
20 assistance in helping bring this matter to a  
21 hopeful conclusion that will benefit horseracing.

22 So I have, unless any other member of  
23 the Board has any objection, I would agree to  
24 defer this matter to the next Board meeting.

25 Having said that I see that Senator

1       Flores is in the audience. I would like to ask  
2       him to not only be recognized, but I would also  
3       like to extend my thanks because I know he's been  
4       doing a yeoman's job out there. And we're very  
5       fortunate to have your involvement in helping  
6       racing in every which way.

7                SENATOR FLORES: Thank you, Mr. Chairman  
8       and Board Members. John Harris and I share a  
9       tough part of California's Central Valley, and  
10      we're used to rough-and-tumble politics. But I  
11      can definitely say that Sacramento has nothing on  
12      this Board.

13               So I would look forward to you, Mr.  
14      Chairman, working with you. And I wanted to  
15      publicly thank you for meeting with me more than  
16      numerous times. And I wanted to publicly thank  
17      you, as well, for your leadership in trying to  
18      help resolve this issue. It's an outstanding  
19      issue that obviously the Legislature is extremely  
20      mindful of, given the sunset in 2007. And we're  
21      extremely attentive to the issues that surround  
22      this particular issue.

23               And more importantly, I've learned a few  
24      other things about offshore gaming that we need to  
25      talk to the Board about. And would be very

1 interested in conducting an oversight hearing on  
2 just what California can do with our powers, given  
3 the new technologies. We look forward to working  
4 with you, Mr. Chairman, on that issue, as well.

5 And I want to thank you for allowing us  
6 to be here today. It's been very informational.  
7 We very much appreciate it.

8 CHAIRPERSON SHAPIRO: Well, thank you.

9 (Applause.)

10 CHAIRPERSON SHAPIRO: I must tell you  
11 that in the series of discussions and emails and  
12 meetings that we've had, I think racing is very  
13 fortunate to have somebody not only with your  
14 position but also your intellect that can possibly  
15 help racing move forward in the 21st century to a  
16 brighter day in California.

17 And I totally embrace and hope that we  
18 can work together as an industry and avail  
19 ourselves of your skills, along with everybody up  
20 here, and everybody in the audience, to truly make  
21 it a better environment for all segments of the  
22 industry and all vendors and everybody else.

23 So, thank you.

24 That being resolved thankfully, we're  
25 now going to move on to general business. I would

1       like to state that under general business we will  
2       only hear matters that are not involved in any  
3       litigation, any claims, any subject lawsuits. And  
4       therefore, no other matters will be heard of that  
5       type. But if they are, in fact, general, we will  
6       listen to them.

7               MR. JAMGOTCHIAN: Mr. Chairman, Members  
8       of the Board, my name is Jerry Jamgotchian. I've  
9       been up here before, as you know. I own over 100  
10      thoroughbred race horses located throughout the  
11      world.

12             My concern is to improve thoroughbred  
13      horseracing in California. But I think the  
14      improvement needs a start with a new rule book.  
15      My comments today will be regarding the rule book.  
16      A book that has not been reprinted since 2003.  
17      Nor has it become available to the public or  
18      industry for over three years because of what Ms.  
19      Fermin states is a budget crisis.

20             There's no opportunity to acquire this  
21      rule book. In fact, I requested it through Public  
22      Records Act and was told that nothing was  
23      available until Mr. Minami handed me one of his  
24      copies.

25             So I think it's right, and something



1       that the Board needs to do immediately. And I  
2       think it needs to order Ms. Fermin to have the  
3       rule book reproduced and reprinted so that  
4       trainers, the backstretch employees and everybody  
5       who's interested in California racing knows what  
6       the rules are.

7               There are many employees, main trainers  
8       don't have computers. And I would ask that the  
9       Board take under consideration the fact that we're  
10      working on a 2003 rule book. And I think this is  
11      2006. And I think there's funding to reprint the  
12      rule book.

13             So I was wondering if the Board would  
14      entertain a rewriting or reprinting of the rule  
15      book. Is that something that's interesting to  
16      you?

17             CHAIRPERSON SHAPIRO: Mr. Jamgotchian, I  
18      tend to agree with you. I don't know why the rule  
19      book has not been reprinted since 2003. I think  
20      you make a very good point. And I think that  
21      everybody who's interested in the racing rules,  
22      since they must adhere to them, should have the  
23      ability to have a good and not necessarily rely on  
24      a computer.

25             So I will ask staff to look into that

1 and report back to me as to how we can get a rule  
2 book that incorporates all the changes between 2003  
3 and the present time. And thank you; I appreciate  
4 the comment.

5 MR. JAMGOTCHIAN: Great. That's my  
6 first comment.

7 CHAIRPERSON SHAPIRO: Mr. Minami.

8 MR. JAMGOTCHIAN: Oh, sure.

9 MR. MINAMI: Roy Minami, Horseracing  
10 Board Staff.

11 In response to your direction, Mr.  
12 Chairman, the staff is in the process now of  
13 updating the rule book, and it will be printed by  
14 July of this year.

15 CHAIRPERSON SHAPIRO: Wonderful. And  
16 before you go away, Mr. Minami, for our people,  
17 participants or anybody interested in obtaining a  
18 rule book, how would they obtain one? Do we sell  
19 them? Do we make them available? How is that  
20 done?

21 MR. MINAMI: Right now we have very few  
22 copies in our headquarters office. I don't know  
23 if we have any copies in our field offices or not.  
24 But for now we can print them out on the internet  
25 if there is a request.

1                   CHAIRPERSON SHAPIRO: All right, well, -

2                   -

3                   VICE CHAIRPERSON MORETTI: I can tell  
4                   you that other state agencies, because of the  
5                   fiscal concern, put them only on the internet.  
6                   And/or if they are in print, they are sold, so  
7                   that there's no cost incurred to the state.

8                   COMMISSIONER HARRIS: Yeah, it should be  
9                   clear, they are available on the internet, the  
10                  updated version. And maybe, you know, possibly  
11                  due to the audience we have, it's probably good to  
12                  print them occasionally. But clearly it's not  
13                  correct to say they're not available.

14                  CHAIRPERSON SHAPIRO: Well, I will stand  
15                  corrected. They are available on the internet. I  
16                  did go on the internet and look, myself. And what  
17                  I would suggest is that we investigate what the  
18                  cost would be to print 1000 copies or so forth,  
19                  and that we do see if we would sell them. And if  
20                  you'll come back to us with options that we can,  
21                  as a Board, make a decision, I think that would be  
22                  useful.

23                  MR. MINAMI: Well, we have, in the past,  
24                  charged \$5 for the book, for the rule book, as  
25                  well as the law book. We usually charge for those

1 who are outside of the horseracing industry. And  
2 generally for trainers and licensees we usually  
3 just give it to them.

4 CHAIRPERSON SHAPIRO: Okay, thank you  
5 very much. Okay, that --

6 MR. JAMGOTCHIAN: I'm not done. I'm  
7 certainly not advocating these rule books be given  
8 away for free. I think they should be charged. I  
9 mean I'd be happy to pay for it just like most the  
10 trainers would.

11 CHAIRPERSON SHAPIRO: That's fine, thank  
12 you. Then you owe Roy five bucks.

13 MR. JAMGOTCHIAN: That's fine.

14 CHAIRPERSON SHAPIRO: Okay. All  
15 right, --

16 MR. JAMGOTCHIAN: With regards to my  
17 comments today, my comments are with regards to  
18 the rules that Ms. Fermin and members of her staff  
19 are ignoring.

20 At future meetings I'll provide you with  
21 rules which are totally being disregarded,  
22 important rule, rules that are in the rule book.

23 Now, the importance of these rules not  
24 being enforced are it's being the basis of an  
25 action that I have against Mr. Slender. And I've

1       been --

2                   CHAIRPERSON SHAPIRO:   Mr. -- Mr. --

3                   MR. JAMGOTCHIAN:   And I'm not talking  
4       about the action --

5                   CHAIRPERSON SHAPIRO:   Wait a minute, Mr.  
6       -- do not go into any actions --

7                   MR. JAMGOTCHIAN:   Fine.   I'm been  
8       inundated over the last two or three weeks with  
9       documents, examples, rulings and telephone calls  
10      from CHRB employees, former employees, trainers,  
11      backstretch people about unequal enforcement of  
12      the rules.

13                   And in most cases, outright disregard of  
14      the rules by Mrs. Fermin and her employees.   I can  
15      tell you, it seems like many good CHRB employees  
16      do not respect the job that Mrs. Fermin is doing.  
17      And, in fact, they want change.   They're tired of  
18      being told to shut up, to stay out of it, and are  
19      being -- and stopped from doing their job.

20                   We have a declaration by a former  
21      associate steward who Mrs. Fermin told, in a  
22      matter, to shut up and don't get involved.

23                   Now, all of this will come out in  
24      depositions --

25                   CHAIRPERSON SHAPIRO:   All right, Mr.

1 Jamgotchian, I'm going to have to stop you. This  
2 is not -- if you have comments --

3 MR. JAMGOTCHIAN: Okay, let me get to  
4 the rules --

5 CHAIRPERSON SHAPIRO: -- no, no, let me  
6 finish -- let me finish. If you have comments  
7 that you wish to make that are not personal to any  
8 individual and to which you would like to make  
9 comment, we're willing to listen to that.

10 MR. JAMGOTCHIAN: Fine, okay.

11 CHAIRPERSON SHAPIRO: Please do not get  
12 into any depositions or any personal assailing of  
13 anybody whatsoever.

14 MR. JAMGOTCHIAN: That's fine. This one  
15 highly qualified CHRB employee was stymied by the  
16 man who's file -- to CHRB, where that person told  
17 me directly that someone -- that the CHRB needs  
18 someone who's not in the racetrack's pocket  
19 managing horseracing.

20 We need someone who respects us, the  
21 horses and follows the rules. That's a direct  
22 quote from this employee, former employee.

23 Today I'm going to give you an example  
24 of what I mean.

25 CHAIRPERSON SHAPIRO: What is the name

1 of the former employee?

2 MR. JAMGOTCHIAN: You can see her  
3 declaration. Her name is Gina Powell.

4 CHAIRPERSON SHAPIRO: Okay.

5 MR. JAMGOTCHIAN: And the declaration  
6 was provided in the lawsuit and you can read it.

7 CHAIRPERSON SHAPIRO: Okay, but now  
8 we're getting back to the lawsuit.

9 MR. JAMGOTCHIAN: That's fine, okay.

10 CHAIRPERSON SHAPIRO: Okay, please --

11 MR. JAMGOTCHIAN: Well, you asked. I'm  
12 just telling you. Now, with regards to two rules,  
13 I'll just give you two rules today that are  
14 important that are totally being ignored. And I  
15 sent an email to you with regards to one of them.

16 And that was rule 1537, which states  
17 that obviously a verbatim record needs to be made  
18 of all the hearings before the stewards. Well, I  
19 wanted to ask you, Mr. Chairman, are verbatim  
20 records being made of meetings in front of the  
21 stewards at this time? Do you know?

22 CHAIRPERSON SHAPIRO: I don't know. I  
23 don't have an answer.

24 MR. JAMGOTCHIAN: Would you ask Mrs.  
25 Fermin? Maybe she can answer that for you.

1                   CHAIRPERSON SHAPIRO: We will look into  
2                   that and we will report back on it, thank you.

3                   MR. JAMGOTCHIAN: The answer is no.  
4                   Rule 1537 being totally ignored. Now, why is it  
5                   being ignored? Obviously she doesn't want a  
6                   record of what happens.

7                   CHAIRPERSON SHAPIRO: Mr. Jamgotchian,  
8                   you asked me a question --

9                   MR. JAMGOTCHIAN: Right, I'll go to the  
10                  second --

11                  CHAIRPERSON SHAPIRO: -- if it's --  
12                  please move on.

13                  MR. JAMGOTCHIAN: I'll go to the second  
14                  rule. Rule 1582 is also being ignored, as there  
15                  are no written entries being taken. Therefore,  
16                  according to the CHRB rules, none of the entries  
17                  of any horse in any race are valid.

18                  I urge any licensee to cite this rule  
19                  where applicable, because without a valid entry  
20                  they can't be in violation of anything. Would you  
21                  like to address why this rule isn't being  
22                  observed?

23                  CHAIRPERSON SHAPIRO: Mr. Jamgotchian, I  
24                  have no personal knowledge on that. Therefore, I  
25                  will ask staff to look into it.



1                   MR. JAMGOTCHIAN: Well, that's why I'm  
2 bringing these rules up to you, Mr. Chairman.

3                   CHAIRPERSON SHAPIRO: I appreciate it.  
4 Is there anything else?

5                   MR. JAMGOTCHIAN: Yes.

6                   MR. KNIGHT: Mr. Chairman.

7                   CHAIRPERSON SHAPIRO: Yes.

8                   MR. KNIGHT: Could I comment on the  
9 first rule, the comment he made?

10                  CHAIRPERSON SHAPIRO: Yes, of course.  
11 Of course.

12                  MR. KNIGHT: The rule doesn't require  
13 verbatim transcript of every hearing. If you read  
14 subdivision (b) of that same rule, at the  
15 discretion of the stewards, it merely requires  
16 that they have a certified court reporter or  
17 electronic recording equipment there. It  
18 doesn't -- there's nothing that mandates a  
19 verbatim transcript of those hearings. That's the  
20 only part that, you know, I want to make sure it's  
21 clear --

22                  CHAIRPERSON SHAPIRO: All right, thank  
23 you.

24                  MR. JAMGOTCHIAN: Well, I'm reading  
25 1537(a), a verbatim record shall be made of all

1       hearings before the stewards in any matter other  
2       than those relating to riding infractions.

3               CHAIRPERSON SHAPIRO:   Okay, --

4               MR. KNIGHT:   Exactly.   Subdivision (d)  
5       says, notwithstanding subdivision (a) blah, blah,  
6       blah.   So, anyway, --

7               MR. JAMGOTCHIAN:   Oh, yeah, yeah, it  
8       doesn't have to be verbatim, but it has to be  
9       recorded.

10              MR. KNIGHT:   Exactly.

11              MR. JAMGOTCHIAN:   Right, so I mean if  
12       it's not verbatim that's fine, but there's got to  
13       be a record.   There's no record.

14              CHAIRPERSON SHAPIRO:   Okay.

15              MR. JAMGOTCHIAN:   Now, with regards to  
16       something else that's tragic, and something that I  
17       am a horse owner and very cognizant of.   And I'd  
18       like Mr. Moss and Mr. Harris to think about this.

19              If you have a horse in a grade one race;  
20       and you're aware of a horse in that race that's  
21       ineligible.   And the ineligible horse wins.   What  
22       would your feelings be?   Would you stand by and  
23       say, well, that ineligible horse won, that's okay,  
24       I'll just take my horse ran second; cost me  
25       \$100,000?   What would you guys do?

1                   COMMISSIONER HARRIS:  Probably look into  
2     it.

3                   MR. JAMGOTCHIAN:  Well, let me tell you,  
4     that's exactly the right answer.  And there's a  
5     circumstance that is being withheld from me, which  
6     I'm already aware of.  It happened in September  
7     this year at Delmar.

8                   A horse was allowed to race when it had  
9     a lasic shot that was administered 35 minutes  
10    after the deadline.  The vet that administered,  
11    and you can stop me any time you'd like and  
12    correct me, Ms. Fermin, if you think these facts  
13    are wrong -- but this lasic shot was administered  
14    35 minutes late.  The vet who administered the  
15    lasic shot, who was later fined \$750 for  
16    falsifying the record.

17                  This horse was then allowed to run.  
18    Interestingly enough, the state vet knew that the  
19    horse had a lasic shot after the deadline; the  
20    security guards and the security officer knew that  
21    this lasic shot was administered after the  
22    deadline; Ms. Fermin knew that it was administered  
23    after the deadline; Delmar Track management knew  
24    it was administered after the deadline.  And guess  
25    what?  The horse ran; the horse won; and it was

1       kept under the table.

2               Now, we'll provide you with more  
3       documentation. Ms. Fermin can provide this  
4       information to the Board. The horse won the  
5       Palomar Handicap. The horse's name is  
6       Intercontinental.

7               And if you don't believe that the purse  
8       should have been redistributed in that race, I can  
9       show you Board rulings where lasic shots have been  
10      administered late, where the horse was scratched.  
11      Multiple.

12              Now, we have Ms. Fermin allowing this  
13      horse to race and win a state's race. And the  
14      other owners in this race are now aware of what  
15      happened. The reason why Intercontinental raced  
16      in this race was because it would have affected  
17      the handle of that race. But as an owner of  
18      racehorses, just like you two gentlemen, if that  
19      ever happened to me I'd be on the lawsuit in a  
20      about a minute and a half. But unfortunately,  
21      nobody knew because all this was kept secret by  
22      Ms. Fermin.

23              So, we'll talk about other things  
24      involved with what's wrong with horseracing, but  
25      I'd like you gentlemen to review the

1 Intercontinental file. And Ms. Fermin will not  
2 produce it, but we'll get it from her.

3 But those are just two of the issues I'd  
4 like to start with tonight. And I know you want  
5 to get to the races, I do, too. But I'll have a  
6 couple more rule violations next meeting. Thank  
7 you.

8 CHAIRPERSON SHAPIRO: Thank you. Is  
9 there anything else under general business?

10 MR. CASTRO: Good afternoon; my name is  
11 Richard Castro; I represent parimutuel clerks.  
12 And I would just like to say that every once in  
13 awhile in the mutuel department we have a problem  
14 or two. And I just want to report to you that I  
15 think we do an excellent job in solving them,  
16 working with the industry, as a whole.

17 Thank you.

18 CHAIRPERSON SHAPIRO: Thank you. Before  
19 you go away, Mr. Castro, --

20 (Laughter.)

21 MR. CASTRO: How about a five-minute  
22 break?

23 CHAIRPERSON SHAPIRO: No, you've had  
24 your five-minute break. I am aware that you  
25 brought to my attention yesterday a issue that is

1 a continuing problem with respect to a situation  
2 down at Surfside facility. And I'm assuming  
3 that's what these packets are that you've passed  
4 out to us?

5 MR. CASTRO: What I did in the meeting  
6 yesterday --

7 CHAIRPERSON SHAPIRO: Is that right?

8 MR. CASTRO: Yeah, that's --

9 CHAIRPERSON SHAPIRO: Is that what these  
10 are?

11 MR. CASTRO: I agreed at the meeting,  
12 all the documents that I have relating to that  
13 issue I put in a packet. And I said that I would  
14 distribute it to everybody. And because you had a  
15 CHRP representative there, I wanted to make sure  
16 all of you got copies, as well. Yes.

17 CHAIRPERSON SHAPIRO: I simply wanted to  
18 let you know that I am going to ask our staff to  
19 look into the matter with respect to any mold or  
20 black mold problems that are there. It is of  
21 concern, and I assure you that we will look into  
22 it and work with you to try and resolve the  
23 matter.

24 MR. CASTRO: It'll be a pleasure to work  
25 with you.

1                   CHAIRPERSON SHAPIRO: Thank you. Is  
2                   there anything else under general business?

3                   Is there anything under old business  
4                   that needs to come before the Board?

5                   There being none, I'll then adjourn the  
6                   meeting and thank everybody for their attendance.

7                   (Parties speaking simultaneously.)

8                   CHAIRPERSON SHAPIRO: Oh, sorry, sorry.  
9                   Hold it, hold it, hold it, I'm sorry, one second.  
10                  We have a slip in here. Mr. Halpern.

11                  MR. HALPERN: Ed Halpern, California  
12                  Thoroughbred Trainers. Sorry; I didn't want to  
13                  make you clear the field again.

14                  Under new business we would just request  
15                  that the Board put on the agenda for its next  
16                  meeting that there seems to be some concern up in  
17                  northern California about trainers who bring in  
18                  horses from out of state for fair meets, and the  
19                  new 60-day claiming rule.

20                  The concern is they bring in their  
21                  horses and they can have them all claimed and lose  
22                  all their horses, but they can't take any horses  
23                  back with them that they claim.

24                  And we would ask the Board to review the  
25                  idea of creating an exception to the rule for

1 short meets so that trainers under those  
2 circumstances would be allowed to take horses out  
3 of the state.

4 CHAIRPERSON SHAPIRO: All right, we will  
5 gladly put that on our agenda.

6 COMMISSIONER HARRIS: One of the ideas  
7 would be -- it maybe would take care of it, it's  
8 now the whole fair as to when we gave the purpose  
9 of that rule, each fair -- to claim the horses.  
10 Sixty days after that --

11 MR. HALPERN: I think it's something  
12 that we ought to discuss and see --

13 COMMISSIONER HARRIS: The whole idea is  
14 to keep horses in California, but the way it is  
15 now you basically claim the horse --

16 MR. HALPERN: Right. Well, the fear I'm  
17 hearing is that people from Washington and such  
18 are saying, I'm not coming because I lose all my  
19 horses and I don't get to take any back.

20 CHAIRPERSON SHAPIRO: I think we'll put  
21 that on as a discussion item at our next meeting.  
22 Thank you, and the meeting's adjourned.

23 (Whereupon, at 12:48 p.m., the meeting  
24 was adjourned.)

25 --o0o--



## CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter,  
do hereby certify that I am a disinterested person  
herein; that I recorded the foregoing California  
Horse Racing Board Meeting; that it was thereafter  
transcribed into typewriting.

I further certify that I am not of  
counsel or attorney for any of the parties to said  
meeting, nor in any way interested in outcome of  
said meeting.

IN WITNESS WHEREOF, I have hereunto set  
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